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War Risk Insurance
Bureau

Washington

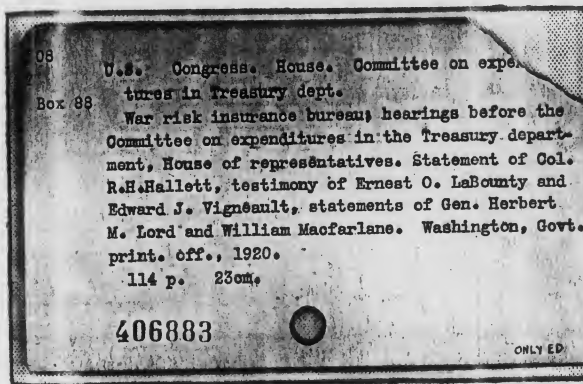
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WAR RISK INSURANCE BUREAU

HEARINGS

BEFORE THE

COMMITTEE ON EXPENDITURES IN THE
TREASURY DEPARTMENT *Ref*

HOUSE OF REPRESENTATIVES

STATEMENT OF

COL. R. H. HALLETT

TESTIMONY OF

ERNEST O. LA BOUNTY AND
EDWARD J. VIGNEAULT

STATEMENTS OF

GEN. HERBERT M. LORD AND
WILLIAM MACFARLANE



WASHINGTON
GOVERNMENT PRINTING OFFICE
1920

COMMITTEE ON EXPENDITURES IN THE TREASURY DEPARTMENT.

HOUSE OF REPRESENTATIVES.

PORTER H. DALE, Vermont, *Chairman*.

MAHLON M. GARLAND, Pennsylvania.

WILLIAM E. ANDREWS, Nebraska.

WILLIAM N. VAILE, Colorado.

JAMES T. BEGG, Ohio.

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WAR RISK INSURANCE BUREAU.

COMMITTEE ON EXPENDITURES IN TREASURY DEPARTMENT,
HOUSE OF REPRESENTATIVES.
Wednesday, October 15, 1919.

The committee met at 11.30 o'clock a. m., Hon. Porter H. Dale (chairman) presiding.

The CHAIRMAN. The committee will come to order. Do you think it is necessary to administer the oath to witnesses? If there is no objection, we will proceed informally.

Mr. BEGG. In my judgment, it should be administered to all of them. Then there will not be any dispute about this being authentic testimony.

Mr. CARTER. I think that would be a good idea.

STATEMENT OF COL. R. H. HALLETT, ASSISTANT DIRECTOR, BUREAU OF WAR RISK INSURANCE, TREASURY DEPARTMENT.

(Col. Hallett was duly sworn by the chairman.)

The CHAIRMAN. Give the committee your full name and official position.

Col. HALLETT. Ralph H. Hallett, assistant director, Bureau of War Risk Insurance, in charge of Compensation and Insurance Claims Division, which has the settling of all of the claims for compensation and for insurance.

The CHAIRMAN. How long have you been assistant director?

Col. HALLETT. Since June 4, 1919.

The CHAIRMAN. What was your business before you came to your present position?

Col. HALLETT. Just immediately before, I was in the Army. I was discharged to take this position. Before that I had been an attorney in Boston for 12 years.

The CHAIRMAN. Did you go across?

Col. HALLETT. Yes, sir.

The CHAIRMAN. Were you a colonel in the Army?

Col. HALLETT. Lieutenant colonel.

The CHAIRMAN. Does any member of the committee want to ask any questions along that line, about his service?

Col. HALLETT. I might remark that my service had not been in connection with the administration of the war risk insurance act. I had gone over as an officer in an Engineer regiment, was sent to the staff college, brought back here for special staff work, and kept at the War College on special staff work for very nearly a year, largely on organization.

Mr. GARLAND. You were not in action over there?

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Col. HALLETT. I did not carry a gun, no, sir; but I was in action with the Twenty-sixth Division on the Toul section sector and before that along the Chemin des Dames.

Mr. GARLAND. Did you say you were with the Engineers?

Col. HALLETT. Yes, sir; I was originally a National Guard officer.

Mr. BEGG. Did I understand you to say that you were an attorney prior to the war?

Col. HALLETT. Yes, sir.

Mr. BEGG. A practicing attorney?

Col. HALLETT. Yes, sir.

Mr. BEGG. What training did you have other than training in law?

Col. HALLETT. That had been practically all of my training. I worked during the summer in various other things at other businesses casually in order to get expenses to get through.

Mr. BEGG. You never specialized in anything other than law?

Col. HALLETT. Nothing except law.

Mr. BEGG. In your war experience, while you were in the service, did I understand you to say that you were in the Engineer Department?

Col. HALLETT. I started there; yes, sir.

Mr. BEGG. And ended up in the War College?

Col. HALLETT. Yes.

Mr. BEGG. Handling what lines of work in the War College?

Col. HALLETT. Handling the work of organization in the War Plans Division.

Mr. BEGG. In your prewar service period, had you ever had any experience in insurance work?

Col. HALLETT. I had worked considerably with Judge Brandeis in forming and floating the savings bank insurance of Massachusetts. That is practically all, and had gone all through Massachusetts making speeches before labor unions and granges trying to sell the savings bank insurance to the people in that State; that had been my sole experience in insurance.

Mr. BEGG. Then that experience was the educational end of it rather than details on the inside; is that right?

Col. HALLETT. Yes, sir.

Mr. BEGG. You are now in what department; in the Insurance Division of the War Risk?

Col. HALLETT. I am not in the insurance department, which is purely the insurance end of it, but I am largely in the compensation end of it, which also handles the settling of the insurance claims. The Insurance Division is not a complete insurance company in that it does not settle its own claims. This is because of the fact that every insurance claim is also a potential compensation claim, and the proof necessary for the insurance and for the compensation is very similar. It was found early that to have the Insurance Division settle its own insurance claims and the compensation settle the compensation claims it would require a duplication of personnel and practically a duplication of proof from the claimants, so that the mere settling of the claims was transferred over to the Compensation Division. The Compensation Division has nothing

to do with reference to the drawing up of the contracts of insurance, the actuarial part, the collection of premiums, and all the various problems that are purely of an insurance nature, but merely has to pay the claims after the proof has been received and to secure that proof.

Mr. BEGG. Let me get that clear. I am frank to admit that I do not quite get it in my mind. Are you in the insurance department or the claim department of the War Risk?

Col. HALLETT. The claims department.

Mr. BEGG. Will you differentiate the difference between claims and the insurance? For instance, I am applying for a claim or for insurance; what do I do?

Col. HALLETT. If you are applying for insurance, you write to the Bureau of War Risk Insurance asking for insurance, presupposing you are in the service.

Mr. BEGG. Take it right at the time.

Col. HALLETT. You make an application for insurance which is taken by your officer and made out, I think, at the present time, in duplicate. It was originally made out in triplicate. That was forwarded to the bureau. It went at once to the Insurance Division and was handled by the Insurance Division. It was given an application number, certificates were issued on that application to the place where the applicants desired it to go, and the policy would be made up, although we have not had any policies.

Mr. ANDREWS. Is this the blank [indicating]?

Col. HALLETT. This is my particular place over here [indicating]; compensation and claims division.

Mr. BEGG. I think that you have made it definitely clear what the application for insurance is. Where does a man come in for a claim?

Col. HALLETT. Then when there has been a death, they write in stating there has been a death and ask for the insurance. That comes to me. When I receive that information, if it comes from the outside I do two things: First, I write to The Adjutant General to get an official notice of the death, if he has died in the service, or I write to get the official notice either in the form of a death certificate or something of that sort, and at the same time I make an application to the insurance division for their information, whatever information they have as to whether or not there is insurance at the present time in force. After I get that proof, then an award is made up for the amount of the insurance that has been proven and in force.

Mr. BEGG. That is far enough to satisfy the question that I had in my mind. Was all this insurance for these boys written on this side?

Col. HALLETT. No, sir.

Mr. BEGG. Some of it was written on the other side?

Col. HALLETT. Yes, sir.

Mr. BEGG. Have you found any claims for insurance when there was no application on file?

Col. HALLETT. Yes, sir.

Mr. BEGG. How did you go about it to determine the validity of the claim?

Col. HALLETT. We have, in practically every case, applied to the Auditor for the War Department or for the Navy Department to get transcripts of the financial accounts of these men, and if it has appeared that these men wanted a check for a certain amount, then

we assumed that there must have been an application and he was paying premiums for a certain amount of insurance and have sent to the insurance department the information which we have gotten, namely, that John Jones was checked for \$6.30, was such and such an age, and asked them to make up an application. We had to take that application as an application without a designation of a beneficiary and have had to make that go in accordance with the act on such kind of applications.

Mr. BEGG. You say you have found cases of that kind?

Col. HALLETT. Yes, sir.

Mr. BEGG. Can you give this committee an idea of how many?

Col. HALLETT. I can not. I know that they bulk fairly large.

Mr. BEGG. Can you give us a guess? Would it run into the thousands or hundreds of thousands?

Col. HALLETT. We have settled approximately 112,000 insurance cases.

Mr. BEGG. That have had no application?

Col. HALLETT. No; in all. I should say that those that have had no applications may be somewhere in the vicinity of 10,000. That is purely a guess.

Mr. BEGG. When you say you can not give the figures, I would not ask you to do otherwise than estimate it. What theory do you advance in the War Risk Bureau for the fact that there are, say, 10,000 for whom there are no application blanks filled out?

Col. HALLETT. The speed with which the matter was handled; the uncertainty of transportation of the mails.

Mr. BEGG. Let me interrupt you. What do you mean by speed in which the matter was handled?

Col. HALLETT. The fact that so many officers had no former information given them with respect to handling this matter, and the consequent mishandling of them through misunderstandings. That is what I meant by that. For instance, as I said, they were originally made out in triplicate, one copy to go to the man himself, one copy to the bureau, and one copy for The Adjutant General. Officers oftentimes, particularly at the start, when they had no definite instructions, did not know what to do with those triplicates. They were misrouted.

The CHAIRMAN. You are referring to these abstracts [indicating]?

Mr. BEGG. This is what he is talking about, made in triplicate [indicating another blank form].

Col. HALLETT. Yes.

The CHAIRMAN. Let that be marked an exhibit.

Col. HALLETT. I will make it Exhibit A.

(The paper referred to, marked "Hallett Exhibit A," is as follows:)

EXHIBIT A.

APPLICATION FOR INSURANCE.

My Army serial number is _____
(My Army serial number)
My full name is _____
(First) (Middle) (Last name)
Home address _____
(No. and street or rural route) (City, town, or post office) (State)
Date of birth _____
(Month) (Day) (Year) (Nearest birthday)
Date of last enlistment or entry into active service _____
(Give month, day, and year)

I hereby apply for insurance in the sum of \$_____ payable, as provided in the war-risk insurance act, to myself during total permanent disability and from and after my death to the following persons in the following amounts:

Relationship to me.	Name of beneficiary. (First.) (Middle.) (Last name.) (If married woman her own Christian name must be stated.)	Post-office address. (a) No. and street or rural route. (b) City, town, or post office, and State.	Amount of insurance to be paid to each beneficiary.
.....	(a)..... (b).....	\$.....
.....	(a)..... (b).....
.....	(a)..... (b).....
.....	(a)..... (b).....

I authorize the necessary monthly deduction from my pay, or, if insufficient, from any deposit with the United States, in payment of the premiums as they become due, unless they be otherwise paid.

I offer this application, and it is to be deemed made, as of the date of signature, with premiums commencing from that date and payable at the end of each calendar month, beginning with the month in which application is made.

I wish insurance certificate sent to: (Name) _____
(Address) _____

Signed at (on board) _____ the _____ day of _____

Witnessed by _____, 191_____

Rank _____

Commanding _____

Sign here _____

(Rank or rating) (Organization)

(This space for any notations insurance officers may deem necessary.)

MONTHLY PREMIUMS FOR EACH \$1,000 OF INSURANCE.

[Each \$1,000 of insurance is payable in installments of \$5.75 per month for 240 months; but if the insured is totally and permanently disabled and lives longer than 240 months the payments will be continued as long as he lives and is so disabled.]

Age.	Monthly premium.	Age.	Monthly premium.
15.....	\$0.63	40.....	\$0.81
16.....	.63	41.....	.82
17.....	.63	42.....	.84
18.....	.64	43.....	.87
19.....	.64	44.....	.88
20.....	.64	45.....	.92
21.....	.65	46.....	.95
22.....	.65	47.....	.99
23.....	.65	48.....	1.03
24.....	.66	49.....	1.08
25.....	.66	50.....	1.14
26.....	.67	51.....	1.20
27.....	.67	52.....	1.27
28.....	.68	53.....	1.35
29.....	.69	54.....	1.44
30.....	.69	55.....	1.53
31.....	.70	56.....	1.64
32.....	.71	57.....	1.76
33.....	.72	58.....	1.85
34.....	.73	59.....	2.05
35.....	.74	60.....	2.21
36.....	.75	61.....	2.40
37.....	.76	62.....	2.60
38.....	.77	63.....	2.82
39.....	.79	64.....	3.07
		65.....	3.35

The smallest amount of insurance which may be applied for is \$1,000 and the largest amount is \$10,000. Between such limits insurance may be applied for in any sum, provided it is in multiples of \$500.

Insurance may be applied for in favor of one or more of the following persons:
Wife or husband.

Child, including legitimate child; child legally adopted before April 6, 1917, or more than six months before enlistment or entrance into or employment in active service, whichever date is the later; stepchild, if a member of the insured's household; illegitimate child, but if the insured is his father, only if acknowledged by instrument in writing signed by him or if he has been judicially ordered or decreed to contribute to such child's support, and if such child, if born after December 31, 1917, shall have been born in the United States or in its insular possessions.

Grandchild, meaning a child, as above defined, of a child as above defined. Parent, including father, mother, grandfather, grandmother, father through adoption, mother through adoption, stepfather, and stepmother, either of the insured or of his/her spouse.

Brother or sister, including brothers and sisters of the half blood as well as of the whole blood, stepbrothers and step sisters and brothers and sisters through adoption.

-----, 19--
(Day) (Month)
Charge/checkage of premium (\$-----) will be made by me monthly,
beginning with month in which application is dated.
First charge/checkage made -----
(Day) (Month)
19--

Commanding -----

Mr. BEGG. Do you have any theory as to what became of these applications that were not sent to The Adjutant General and to the Treasury Department? You say that due to inexperience and rush of affairs they probably did not send in the men's applications to The Adjutant General or give them to the men. What do you suppose they did with them? Have you any theory?

Col. HALLETT. In many cases they held them in their files, all three of them, pending information as to what to do with them. The information may have come to them and it may not. They may be still in their files, perhaps in the files that have been turned in to The Adjutant General upon demobilization and it may be that some of these things will turn up when The Adjutant General gets a chance to clear out these records.

Mr. BEGG. Supposing that that happened, that the copies, all three of them, instead of being given one to the soldier, one sent to The Adjutant, and the other to the Treasury Department, would there be anything taken out of these soldiers' pay?

Col. HALLETT. Yes, sir.

Mr. BEGG. Who would take it out?

Col. HALLETT. It would be taken out by the man's commanding officer. That is, his noncommissioned officers are doing the physical writing, but the man's own company officer would be the man who would be responsible for seeing that they got out on the pay rolls.

Mr. BEGG. Say this is Company B; specify who would do it by title.

Col. HALLETT. It would be the captain, or the officer in command. Generally there is a captain, but that did not always obtain; the company commander or the organization commander of the particular unit.

Mr. BEGG. Would he take that out of the pay or would he designate that it was to be taken out of the pay?

Col. HALLETT. He would designate on the pay roll, stating this man has asked insurance.

Mr. BEGG. Have you one of these pay rolls?

Col. HALLETT. No, sir.

Mr. BEGG. Can you get us one?

Col. HALLETT. I imagine I can apply to the office for one.

Mr. BEGG. I do not mean actual pay roll; I mean the ordinary blank that is used.

Col. HALLETT. I think I can get it; one of the pay rolls from the War Department.

Mr. BEGG. You will get us that?

Col. HALLETT. Yes, sir.

Mr. BEGG. He designated on there that this man was to have \$6.30, or whatever the amount was, taken out of his pay for the purpose of carrying insurance?

Col. HALLETT. Yes, sir.

Mr. BEGG. Who actually took that money out?

Col. HALLETT. That was deducted on that pay roll from the amount that was coming to that man together with the allotment.

Mr. BEGG. Who deducted it?

Col. HALLETT. He gets that balance that may be due him. Just what the procedure is in the Quartermaster's Department with respect to handling these matters I am not absolutely sure, but I think that they all are forwarded through and put on each man's individual account, and it is a system of debits and credits, and finally arrives at the Auditor of the War Department, who certifies finally the correctness of the man's accounts. I imagine ultimately those single accounts will all be added up and subtracted and finally brought into form and it will be determined if the War Department has collected so much money, but there is no actual physical handling of the money by anybody except the balance which was actually due the soldier, as shown on that account.

Mr. ANDREWS. Let me call attention to the letter of the auditor, of June 7—the Auditor for the War Department—in which he says he has audited no accounts in connection with that business. You have that letter there?

Col. HALLETT. May I say a word in that connection?

Mr. BEGG. Certainly.

Col. HALLETT. I do not know what he means by that; I think he means that he has completed the final audit of no accounts, but he has the men's records and we have to call upon him. In this particular case I have here I have a longhand transcript of this particular man's record from the Auditor of the War Department, so I do not think it has come to the final audit of that man's account.

Mr. MOORE. It is a statement whether it is audited or not.

Col. HALLETT. It is a statement from him as to what that man's account at the present time shows.

Mr. BEGG. I should like to carry that out with a hypothetical case; I mean my figures are only estimates. Assume that 200 men are in a company over in France and estimate that they get \$30 a month.

We know they get a little more than that. That would be \$6,000 that would go to this company's commanding officer to pay the men. If nothing was taken out, in other words, if there was no insurance, allotment or anything, this company commander would receive \$6,000 to pay his men.

Col. HALLETT. Yes, sir.

Mr. BEGG. Did he receive the \$6,000 on the basis that these figures will represent that whole amount of money, or do they take out on this side, or where was it taken out; can you tell us?

Col. HALLETT. He received only the amount of money that his pay roll showed was due his men on the final balance.

Mr. BEGG. Less all deductions?

Col. HALLETT. Less all deductions.

Mr. BEGG. That includes, if a man has subscribed for Liberty bonds, to pay \$5 a month, that deduction was taken out?

Col. HALLETT. Yes.

Mr. BEGG. Were those deductions taken out on this side or on the other side of the water?

Col. HALLETT. I should say on this side in the last analysis, because those things all go in and are practically requisitioned for such sums. In your hypothetical case of \$6,000 it might be that he only had \$1,000 due him after the deductions. That was a requisition to the paymaster of the division that Company B needed \$1,000. That would be added together for the entire regiment and would be a requisition upon the corps or headquarters company that the whole thing needed, say, \$6,000. There would be a requisition on the people on this side that the American Expeditionary Forces needed \$60,000 and that money would be paid to pay the balances, so that finally when those got back here the deductions are really made on this side of the water.

Mr. BEGG. How would the War Department know that these 200 men would require \$6,000 if nothing was taken out of the money for these men? How would the War Department or the Treasury know? The captain or commanding officer over there made out these pay rolls, and where a man just stuck them in his file and sent them back and only requisitioned \$1,000, how does the War Department or Treasury Department know where to credit this other \$2,000 or the amount of deductions that was not requisitioned; how do they know where to credit it? They charge it up against Company B; they get a requisition for one third of it, we will say; where do they credit the other two thirds?

Col. HALLETT. I do not know but what there was somebody making up abstracts of the amount of money.

The CHAIRMAN. Look at this blank form [indicating].

Col. HALLETT. I do not know what this is; I am not familiar with it.

The CHAIRMAN. Have you ever seen one of those before?

Col. HALLETT. I could not say whether I had seen one or not, but I have never had anything to do with it personally.

The CHAIRMAN. You do not use it?

Col. HALLETT. No, sir.

The CHAIRMAN. I will mark it as Exhibit B.

Col. HALLETT. They must have had some system of bookkeeping and various other papers that would give that information. Just what it is, I do not know; I am not qualified to state.

Mr. BEGG. You are not in position to answer that particular question?

Col. HALLETT. No, sir.

Mr. BEGG. That is all I have to ask at this time.

Mr. ANDREWS. Suppose you find a pay roll on which deductions have been made from the soldier's pay for premium on insurance. Is that deduction accepted as proof conclusive of his right to insurance?

Col. HALLETT. Yes, sir; provided he died in the service.

Mr. ANDREWS. All other things furnished. In other words, if you do not find the original paper in form, the fact that deductions were made on the pay roll showing that he was assessed for premiums on insurance is accepted as proof positive of his right to insurance, and in case of death the insurance would be granted on that showing?

Col. HALLETT. Yes, sir.

Mr. MOORE. I wanted to refer to the letter of the auditor that was alluded to by Mr. Andrews a few moments ago and request to have Col. Hallett look at it.

The CHAIRMAN. The original is in our files here.

Mr. ANDREWS. Yes, sir. Copy of our letter of June 3 and copy of auditor's reply should be read together.

Mr. MOORE. That is the inquiry from the War Department and here is the reply.

Mr. ANDREWS. That inquiry of the 3d of June was to secure from the auditor the statement of the amount of money that he had audited into the Treasury as deductions from soldiers' pay on insurance premiums.

Mr. MOORE. What do you make out from that letter, that reply of the auditor of the War Department, in substance?

Col. HALLETT. He says, "Having reference to your letter of June 3, you are advised that this office does not examine or settle any accounts of the Bureau of War Risk Insurance."

They do not examine or settle any accounts whatever.

Mr. MOORE. In other words, that letter states what you are saying now?

Col. HALLETT. Yes, sir. The finance officers of the War Department would be the ones who would in the first instance examine and settle.

Mr. ANDREWS. No; he never settled an account. Under the law he can not make settlement. He can make deductions and make the report. That is administrative. But under the law he can not settle an account; only an auditor can do that.

Col. HALLETT. I see; I do not know just what he does mean by that.

Mr. ANDREWS. I understand the meaning.

WAR RISK INSURANCE BUREAU.

(Exhibit B, referred to above, is as follows:)

EXHIBIT B.

WAR DEPARTMENT, QUARTERMASTER CORPS.

Schedule of allotments deducted from enlisted men, United States Army,
by ----- Quartermaster Corps, United States Army, at -----, account for
the month of -----, 192---

[illegible]

All allotments must be entered on schedule, whether taken up in collections or dropped from soldier's current pay. For instruction concerning allotments see Special Regulations, No. 72. Quartermaster will prepare this schedule in quadruplicate and sign the last sheet of each copy. Original and carbon copy should be forwarded with the account current; one copy to the Bureau of War Risk Insurance, Treasury Department, Washington, D. C., and one retained.

Mr. MOORE. It is not inconsistent with what you have stated about the method pursued and the information actually gotten from the Auditor of the War Department?

Col. HALLETT, No. sir.

Mr. ANDREWS. Here is the point. The Auditor of the War Department has answered that he does not settle the accounts of your disbursing officer, for instance, as, of course, he does not.

Col. HALLETT. No.

Mr. ANDREWS Our letter, however, was on a different basis, if you will read it.

Col. HALLETT. That is what I was wondering, whether it really answered your letter.

Mr. Andrews: That is the point. We wanted the Auditor for the War Department to tell us how much money he had audited into the Treasury as a collection account returned to him by the War Department for premiums deducted from soldiers' pay. That is what we asked him to answer. That, of course, would be a question for the auditor to explain more fully when he gives in his testimony. The Auditor for the Treasury Department alone settles the disbursements for the bureau. The Auditor for the Treasury Department, however, can not settle a single collection account of money deducted by the War Department and paid into the Treasury on this fund. The Auditor for the War Department must do that if it is done at all, and if he does not do it, we do not have a check. The point will

be covered when the auditor comes to tell us exactly what he has done in that direction. He is entitled to elaborate on that.

You will find in a similar letter sent to the Auditor for the Navy Department he said that he had audited \$5,339,000, and the Auditor for the War Department said he had audited none.

The point is we must have this. We must have an audit of these pay rolls by the Auditor for the War Department, for deductions made by the War Department, in order to show that the money deducted there was covered into the Treasury.

Mr. MOORE. Don't you think that is a matter we ought to defer?

Mr. MOORE. Don't you want to see the money?

Mr. ANDREWS. I mention that to show that the point is not left without consideration. Turning to another point you had up a moment ago, in this matter of deposits that Mr. Begg asked about covering in the pay roll. On the pay roll would be a soldier at \$20 a month; deduction \$7.50 for insurance, \$15 for allotment then he received a certain amount in cash. The method as described a moment ago brought it up to the point that the chief paymaster, with whom the Director of Finance, the Paymaster General, whatever you like, in the War Department, would draw that money on his requisition and upon an accountable warrant it goes to his credit. He would advance to the paymaster in the field a sufficient amount of money to pay the allowance in cash and he would then on this pay roll as made up, check each total and make the deduction and cover that money into the Treasury with his own check just as though he were paying it to the soldier and make up a deposit account which would go to the Auditor for the War Department for settlement, and that is what we wanted to get. That is what we ought to have. So we will want, of course, from the auditor in the end a statement of his audit of these pay rolls on which the deductions have been made.

Mr. CARTER. This man can not give us that.

Mr. ANDREWS. We simply want to get the point distinctly in mind when we get to that later on.

Mr. CARTER. Could you take that up when we come to that witness and proceed with this witness.

Mr. ANDREWS. I simply want to have the record show the point that was not answered in Mr. Begg's question in regard to this deposit.

Mr. BEGG. My thought in the matter was that we want to know whether these people know that or not.

Mr. ANDREWS. It makes no difference whether they know it or not so far as the testimony of our final report is concerned. We can not hold them responsible for any of these deposits. All we can hold them for is money they get through the Treasury, the division of book-keeping and warrants which shows what they were responsible for.

Mr. BEGG. Nobody is intending to hold a man responsible for something outside of his office.

Col. HALETT. I think Mr. Begg's thought on that was to know how accurate that has been with these men in the field in making these deductions, whether there was a possibility of a man having the handling of the actual cash in the field and the deducting and sending it back; it would be a much bigger proposition if it was actual cash handled than a mere bookkeeping proposition.

Mr. ANDREWS. You have nothing to answer for until the money gets to you?

Col. HALLETT. No.

Mr. BEGG. My purpose was not to see how much or little you get, but to find out who did it down there and how much was done, and when you state you could not answer certain questions, that was satisfactory to me. I will find the fellow who can answer them.

Col. HALLETT. I do not know whether the check which Mr. Andrews spoke about was over on the other side or over here; it might have been on the other side, because they had an auditor on the other side.

Mr. ANDREWS. That does not affect you; you are not liable for that.

The CHAIRMAN. There seems to be some difference of opinion between you and Mr. Andrews as to what establishes settlement of pay. I might ask you one or two questions and if I am mistaken in the conclusions I have drawn, I want to be corrected.

I understand that the finance officer does establish the settlement of pay. Am I wrong about that?

Mr. ANDREWS. Pay of what?

The CHAIRMAN. I understand from what you said, Mr. Andrews, that the auditor establishes that.

Mr. ANDREWS. The auditor establishes the correctness or incorrectness of the accounts of the War Department in saying that it had deposited the collections of deductions made. The pay rolls will show the total of the deductions.

The CHAIRMAN. I understand that. He establishes the correctness of it but the auditor simply establishes the correctness of the finance officer's report, does he not?

Mr. ANDREWS. On the basis of accounts rendered by the finance officer.

The CHAIRMAN. But the finance officer is the officer who establishes it.

Mr. ANDREWS. No; the administrative officer, the commanding officer in the field is the man who makes up the pay rolls.

Col. HALLETT. The commanding officer really is the man who establishes the amount the individual soldier gets unless he makes a mistake.

The CHAIRMAN. That is what I was getting at.

Col. HALLETT. I think probably the finance officer of the Army is the man who actually turns over the cash.

The CHAIRMAN. Certainly, he is the man who gets it.

Col. HALLETT. And he makes the account to the auditor. The account is not technically settled, as I understand it, until the auditor has passed upon it and approved it.

The CHAIRMAN. Certainly.

Col. HALLETT. Although so far as we have our original dealings, first, we get our check and have our accounts between the finance officer of the War Department and our receiving officer, receipts and disbursements officer, whatever he is called in the Treasury Department, and if it is wrong the auditor takes it up and settles the account and makes it right.

Mr. ANDREWS. You do not have anything to do with the collection of that money?

Col. HALLETT. No, sir.

Mr. ANDREWS. You receive it through the deposit in the Treasury?

Col. HALLETT. Yes, sir.

Mr. ANDREWS. And that is the way you get it?

Col. HALLETT. Yes, sir.

Mr. ANDREWS. The bookkeeping division of the Treasury Department gets that record and makes a charge against you?

Col. HALLETT. Yes, sir.

Mr. ANDREWS. And that is the charge that you would have to answer in the end?

Col. HALLETT. Yes, sir.

The CHAIRMAN. In substance, the auditor simply performs the duties that are indicated in his name that as an auditor he should perform. He does not settle anything.

Mr. ANDREWS. Under the law he is required to do it and nobody else can.

The CHAIRMAN. I am trying to develop the information.

Col. HALLETT. I do not know, as a matter of fact. I am talking about something that is only general information to me.

Mr. CARTER. Do you mean by settlement of account, or, rather, by an audit of account, that he is the only one that can pass upon the individual account turned over?

Mr. ANDREWS. As a final settlement.

Mr. CARTER. Then, the law presupposes an impossibility, to start with, because no man on earth could pass upon accounts due 4,000,000 men in 30 days.

Mr. ANDREWS. No. The law does not make it 30 days. You have accounts that are clearly monthly. The Secretary of the Treasury can fix that according to an order.

Mr. CARTER. Then, say, 4,000,000 quarterly. That would be practically an impossibility for one man to pass-upon that many claims.

Mr. ANDREWS. When the pay roll is made up by the administrative officer, the paymaster or auditor never makes a pay roll or should not; it is the administrative officer that makes the pay roll and puts upon that pay roll the amount of money the individual is to receive, \$30 or \$50 a month, according to the soldier's grade. Then, he has an insurance premium, an allotment, and so much cash. It is the executive officer or administrative officer in the Army who does that. When the pay roll is thus made up it is turned over to the paymaster who has the money.

Mr. CARTER. You say the administrative officer makes up the pay roll. Who is that?

Mr. ANDREWS. Take the Commissioner of Internal Revenue. He is the administrative officer of his bureau, and under his direction the pay roll of his bureau is made up. It may be the commanding officer of the company or whoever he might designate for that unit.

Mr. CARTER. He makes out the pay roll with every man's name on it in his company and the amount due each one?

Mr. ANDREWS. Yes.

Mr. CARTER. Does he make the deductions?

Mr. ANDREWS. Nobody else has authority to do it.

Mr. CARTER. That is approved by whom next?

Mr. ANDREWS. That goes to the paymaster.

Mr. CARTER. Whereabouts?

Mr. ANDREWS. He may be in the field with the unit or at some other station, and the paymaster of that unit is the officer authorized to pay that unit. He reviews the roll, and if he finds some errors in computation he may return it for correction, of course, as he would. When he gets that pay roll and finds in this column so much cash, he would turn that amount of cash over to this soldier, whatever it might be, in each case. Then, when the Paymaster General or Director General of Finance has retained the amount of these premiums and these allotments in his office, he has sent forward to that paymaster in the field the amount of cash to cover this column.

Mr. CARTER. Who was it that you said did this last act of transmitting the funds, and so forth, to the paymaster?

Mr. ANDREWS. The paymaster in the field pays that roll.

Mr. CARTER. Where does he get the funds?

Mr. ANDREWS. Through the office of the Paymaster General or Director General of Finance.

Mr. CARTER. How does the Paymaster General or Director General know how much money to send him? He has to file this pay roll first?

Mr. ANDREWS. He would advance the cash. They know substantially how many men are in that unit, and keep track of the figures as the men are ordered back and forth; and the orders in the department will go naturally through the administrative channels down to the office of the Paymaster General, and he would have that on his books. If any errors appear, they would be taken up on a supplemental statement.

Mr. CARTER. You are going too fast. How is he to know if any errors occur—this Paymaster General or the others—if he does not have the month's pay roll before him?

Mr. ANDREWS. When it comes back it is paid in the field, but it is returned to the department.

Mr. CARTER. The department never sees that pay roll for that month until after it has been paid?

Mr. ANDREWS. No. It is paid in the field; if it is a quarterly payment, he has 20 days in which to forward his account to the department; if it is monthly, under an order of the department he will have 10 days. That account will be forwarded to the department in Washington.

Mr. CARTER. The remittance is made from Washington?

Mr. ANDREWS. The remittance for the payment of this money must come to the officer before he can pay the roll. He must have that to his credit.

Mr. CARTER. Then this money is sent from Washington to the field to pay this pay roll before they actually receive the pay rolls?

Mr. ANDREWS. Yes; before it is made out. They will make their requisition the first of the month to pay the middle of the month, and the middle of the month to pay at the end of the month, as a rule.

Mr. CARTER. Make a requisition for so much money?

Mr. ANDREWS. Yes. When the requisition in the War Department comes to the Treasury the Auditor for the War Department

who approves the requisition gives it to the division of bookkeeping and warrant and they issue an accountable warrant going to the Treasurer of the United States, and he enters this to the credit of that paymaster on the books of the Treasury.

The CHAIRMAN. Do you wish to say anything about that question, Col. Hallett?

Col. HALLETT. No, sir.

Mr. BEGG. I should like to refer back to my hypothetical case again. I am going to estimate that my pay roll, that I am the commanding officer of this company, and my pay roll calls for \$6,000, if there are no deductions. I will assume that the sum total of the deductions to be taken out for the applications for insurance will be \$1,000. I had these applications made out and stick them in my file and don't put them in the proper place—if I am crooked. I requisition for \$6,000 and actually pay out \$5,000 to these soldiers, take their deductions and stick it in my pocket. What check has the War Risk Insurance Bureau or the Treasury Department to know that was not done?

Col. HALLETT. No check; I do not know that there would be any check.

Mr. BEGG. You say there is no check?

Col. HALLETT. No; except that it is fair to presume that some of these 250 or 300 in that company, their beneficiaries, would receive the applications, and somebody will hear from it before long.

Mr. BEGG. Let us assume the hypothetical case. I will state frankly I have no evidence to think that was done. I am trying to find out if this Bureau of War Risk Insurance and the Treasury Department have an absolute check on this money, so that they know that every boy who takes insurance will ultimately get it. That is the thing I am after. I am not casting suspicions on anybody. Supposing I am the commanding officer and if I do that thing for a period of four months, we will say, I have then accumulated \$4,000 and I check my men and I find that I had heavy casualties, and I destroy these applications among the casualties, what evidence has been sent back to establish that boy's insurance or that part was taken out of his pay for insurance other than the word of his mother or pals, or whoever it might be; he is dead now.

Col. HALLETT. There would not be any, so far as I know at the present time. Of course, those things are all made up by the company officers' subordinates, who do the actual work, and if he tried to do it himself physically, it would cause a great deal of comment. If that was done, then his first sergeant would know and would have to know that it was being done and would have to be in the conspiracy with him for him to get away with it. His other officers would have to know. The fact that such a large proportion of his men had not taken out insurance would appear on the pay rolls and would cause comment and perhaps an investigation by the paymaster. The service records of the men also have a notation on them or should have a notation on them, if they had service records, and part of them did; some of them did not have them at the time, but they are required under the regulations to have a notation on this service record. That would be evidence, which we can take; that is the man's own individual record.

Mr. BEGG. Who made up the man's service record when he was in the field—the commanding officer?

Col. HALLETT. The same man would make that up.

Mr. BEGG. Then he could easily omit that if he was inclined to do the other.

Col. HALLETT. The actual physical work is again done by his first sergeant and it would take, practically, a conspiracy of all of his officers, or at least four or five people in the company, to do it successfully. He might do it occasionally here and there and perhaps get away with it for a while, but if he did it would be indicated probably in the second month or third month by all the other companies of the regiment coming in with a large proportion of insurance, and it would result in a very strict investigation of the condition of the man's company.

Mr. BEGG. There is another question I would like to bring out.

Col. HALLETT. Those are also all checked up through the regimental offices, so that it would be very difficult for a company commander to do any such thing as that unless he was also in conspiracy with the regimental commander.

Mr. BEGG. That suggests still another question. What is the title of regimental commander?

Col. HALLETT. Colonel.

Mr. BEGG. You say this pay roll goes through for his O. K. Did I understand you correctly?

Col. HALLETT. To be real frank with you, I have forgotten whether his actual O. K. goes on it.

Mr. BEGG. You said that if he was inclined it would be difficult, because it had to go back through the regimental officer, the colonel, did you not?

Col. HALLETT. As I remember it, they made some changes while I was there, but the last I knew it went to the regimental supply officer, who acted as disbursing officer for the regiment.

Mr. BEGG. Then, if this commanding officer of the company had failed to send these applications in, why did not the colonel or commanding officer of the regiment catch it up; was it through ignorance of the process?

Col. HALLETT. Apparently, they were ignorant, and it may have been that they sent part of them in and did not get them all in.

Mr. BEGG. I understand you just said that is the theory which the department has how it happened.

Col. HALLETT. Those are the only reasons that I can give. I do know that some of these applications have appeared in most unusual positions, and to check back to get the responsibility for it I should say was a pretty difficult proposition. Of course, that was in another department and I can not answer that.

Mr. BEGG. Orders such as directions to the commanding officers of a company regarding the handling of the insurance for the boys—how were those orders actually transmitted—orally, or in writing?

Col. HALLETT. In writing.

Mr. BEGG. Then, each commanding officer had in writing the notice as to what to do with each of these slips?

Col. HALLETT. They ultimately did. A lot of us took out insurance. I individually took out insurance on the other side; when the

men had arrived over there, before any orders could be carried out or put in writing, I took out \$7,000 insurance, simply on the chance that I could afford to pay premiums without any knowledge as to what the premium would be or what it was. As I remember it, a man had some typewritten application blanks that had been gotten together, and he came up and told us about it and we put down our names. Later, when the orders came out and we found what the rates were and I found I could afford it, I increased it and made my application for \$8,000. That was the way it was done at the very start. Of course, after they got organized, it became very much better directed and better administered. I can only give my personal experience on the other side. They were all supposed to be done by orders. We were all supposed to get it by orders. It took some time, as long as three weeks, sometimes, to get an order from general headquarters down to the last unit in the line. That seemed like a long time.

Mr. BEGG. How do you account for that length of time?

Col. HALLETT. By reason of misrouting. The changes of the unit from the time it started, from the time the order started until it finally arrived, the very great number of moves that took place made it slow. It was like a traveling salesman getting his mail, and it has to be forwarded and forwarded.

Mr. BEGG. Are you at the head of the claim department in the War Risk or are you a subordinate officer?

Col. HALLETT. Yes, sir; I am the head.

Mr. BEGG. You handle in your department all claims that are made against the War Risk for insurance; you handle the claims.

Col. HALLETT. Yes, sir.

Mr. BEGG. How many people are carrying insurance to-day?

Col. HALLETT. That I do not know; that is in the insurance division.

Mr. BEGG. How many claims have you had to pay?

Col. HALLETT. About 119,000.

Mr. BEGG. How many people have you in your department under you; how many people working?

Col. HALLETT. About 1,500.

Mr. BEGG. What are the main duties of these 1,500?

Col. HALLETT. I should say here that I also settle the compensation claims and have complete charge of them, and that they are working on compensation claims, which are 305,000.

Mr. CARTER. How many claims did you say had been settled?

Col. HALLETT. All the insurance claims have been settled except 7,000, approximately.

Mr. BEGG. How many claims can one person handle in a day, as an average, not the exceptional? How many claims do you expect each one of these employees to handle, if you had all that class of employees, in an average day's work?

Col. HALLETT. That is a very difficult question to answer.

Mr. BEGG. Can you give an estimate?

Col. HALLETT. I can put it in a different way. Each man can handle approximately 1,300 claims.

Mr. BEGG. In how long a time?

Col. HALLETT. I mean keep the work going on 1,300 claims. No claim dies even after it has been settled.

Mr. BEGG. Because it is paid in monthly installments.

Col. HALLETT. And there are changes of beneficiary by reason of death, changes of address, and that sort of thing so that we still have to keep these claims in the hands of the individual and it has been found that a man can keep his correspondence current and can administer the claims with about 1,300 to his credit. That is an average. It runs from 2,200 death claims—the insurance claims are much easier to handle—down to about 1,100 disability claims; around 1,500. You ask how many they can handle in a day. I am insisting on their showing at least the results of 50 dictated letters and the average settlement of at least 8 claims per day per examiner.

Mr. BEGG. If I understand it correctly, one man in there can take care of 1,300 claims; that is, he can attend to them. How many clerical assistants does he have to have to do that?

Col. HALLETT. It averages about five. That means counting the file clerks and messengers.

Mr. BEGG. Let me state it differently. Supposing you are going into the insurance business to-day. Would 1,300 customers be all that you could handle in your office if you took on no help other than clerks?

Col. HALLETT. I do not know.

Mr. BEGG. Then you do not know whether you have in your department more than you could afford to carry on business or whether you have less.

Col. HALLETT. I will say frankly that I think I have more than would be considered in an ordinary business. Because of the rapidity with which claims were received, it required a larger personnel to handle them quickly and efficiently than would be met with in any business organization that I have ever heard of at the present time.

Mr. BEGG. I do not want you to understand that I am insinuating in this question, but here is what the figures show. That each employee would have for a year's work if each claimant wrote one letter to your department in a year, 28 letters to dispose of in a year. That is what your employees would have to take care of, 28 letters in 360 days if each claimant wrote one letter. How many letters come in regarding one claim in a year, estimated?

Col. HALLETT. I am getting from my claim department approximately 10,000 letters per day.

Mr. BEGG. Then for each claim you are getting about two and one-half letters each day. In other words, every man having a claim in your department writes two and one-half letters a day to you.

Col. HALLETT. Not each man; no. Those are things we have written and information we have.

Mr. BEGG. Either from that man or somebody interested in his claim, two and one-half letters every day come to you regarding that claim.

Mr. MOORE. Sometimes they are letters from Congressmen.

Mr. BEGG. I do not care where they are from; 800 letters on every claim comes in in a year.

Col. HALLETT. I have about 45,000 to 55,000 cases out of my files every day, being worked upon.

Mr. BEGG. That is just exactly what I want to establish and find out. I am frank to tell you that it seems to me an unusual number

of letters, that your average correspondence about each claim will run up to 700 or 800 letters a year.

Col. HALLETT. We are getting a very great number of letters even on the first number of cases that were settled, and settled a long time ago, per day, a surprising number of letters. We received three letters from one man in one day that were not only dated but timed, and that is the way they are coming in.

Mr. BEGG. That is the rule, is it, that you receive three letters from a man about his claim the same day?

Col. HALLETT. That was exceptional, but all of these things add to the bulk.

Mr. BEGG. Would you have any objection to submitting to this committee the accumulated correspondence regarding any particular claim? I am not doubting your word, but I would like to see the claim that requires 800 letters, if it is an average claim, to settle it.

Col. HALLETT. I can not say. I am frank to say I do not see how any claim would take 800 letters or forms even though it is a year old.

Col. CHOLMELEY-JONES. Are you going on the annual basis? This is not annual basis, but monthly.

Mr. BEGG. What I am trying to find out as an agent for the House is if these people down there are doing what would be recognized in the business world as a day's work, or whether they are doing more than a day's work. What you state is probably a fact. Is it a fact regarding the whole department?

The CHAIRMAN. Col. Cholmeley-Jones is not on the stand.

Mr. BEGG. Right on that point I will ask the witness, you stated you had approximately 1,500 employees in your department, people that are actually working for you?

Col. HALLETT. Yes, sir.

Mr. BEGG. What will be the average in your department for a year of employees?

Col. HALLETT. I should say there would be about 1,400 to 1,500.

Mr. BEGG. From what source do you get these employees?

Col. HALLETT. I found them there mostly. I am getting the examiners that I find that I need to handle the work, mostly from young lawyers, the examiners having to be lawyers, who have been discharged from the service. That is where I am getting them from now. The clerical help at the present time I am getting largely by reason of transfers from other parts of the bureau that are going down in size.

Mr. BEGG. That practically answers this question. Suppose you need 10 more employees in your department, what process do you go through?

Col. HALLETT. I make a requisition to the personnel officer of the bureau, who fills the requisition if he can.

Mr. BEGG. And if he can not fill it out of the present force, then you do what?

Col. HALLETT. I get them from him.

Mr. BEGG. Do you know where he gets them?

Col. HALLETT. From the Civil Service.

The CHAIRMAN. Col. Hallett, do you establish insurance in cases where you can not find the application for that insurance?

Col. HALLETT. Yes, sir.

The CHAIRMAN. How do you proceed in the establishment of insurance when you have not the application?

Col. HALLETT. I write to the Auditor for the War Department to give us a transcript of the man's financial account and find out whether or not he was checked for the insurance. If the auditor can not give us that we then try to get in touch with the man's former commanding officer, or any one of his other officers or noncommissioned officers, who would have knowledge as to whether or not he was actually checked for war-risk insurance.

The CHAIRMAN. You have some men in The Adjutant General's office working up these cases?

Col. HALLETT. Yes, sir. They have no access to anything except the man's records, and that sometimes can be taken and sometimes can not. If it is negative information which we get from there we do not, in trying to build up these cases, take that as conclusive. If it is affirmative in favor of the man we then take that information. Most of the work that we are using this for is to find out in compensation cases whether or not the man's record showed that he had been suffering with any injury or disease or disability while he was in the service.

The CHAIRMAN. You say they have access to his record. What is the record in The Adjutant General's office that you refer to?

Col. HALLETT. The Adjutant General's record is a form which they have down there which shows the man's history while he was in the service. It may be a copy of his service record. There are various forms made out when he was taken in and various monthly and quarterly reports showing where he was, orders of transfer, and that sort of thing. There is also with The Adjutant General a file that has been turned over to them from the Surgeon General through which we search in order to find out from the daily sick report whether or not this man has shown that he reported to the surgeon for any particular illness or injury.

The CHAIRMAN. This Exhibit B, is that in The Adjutant General's office?

Col. HALLETT. I do not think so. I think that is in the quartermaster's file. I think that is an abstract.

The CHAIRMAN. Will you examine it, Col. Hallett? Is it issued in triplicate?

Col. HALLETT. You are talking about a form I do not know much about.

The CHAIRMAN. I realize that, but the part of it that surprises me in connection with my information is that you do not know about it, because I understood that one copy of this, issued in triplicate, went to your bureau.

Col. HALLETT. They never have come to my particular division. I may be wrong, but I think perhaps they were sent to the insurance division.

The CHAIRMAN. What I was getting at was this: It seemed to me that in looking up records to establish insurance in the absence of application that this Exhibit B would be vital and your employees must get back to that somewhere.

Col. HALLETT. It has been found that we have had more accurate information from the Auditor of the War Department with respect

to the condition of this man's accounts than we can get anywhere else.

The CHAIRMAN. You say when they were looking up the records in The Adjutant General's office, they looked for his service record. I understood you to say that.

Col. HALLETT. There is not always a copy there. Their records are not always entirely complete, apparently; but they are getting more and more complete.

The CHAIRMAN. I was wondering in the absence of an application and in the absence of a service record, what you could find there?

Col. HALLETT. Perhaps I might say this particular case is representative of what we have done to attempt to find out.

The CHAIRMAN. I would rather not get on that particular case. In the absence of the service record, what could be found there?

Col. HALLETT. You mean in The Adjutant General's office?

The CHAIRMAN. Yes.

Col. HALLETT. Nothing with respect to the matter of insurance. The CHAIRMAN. Are you sure about that, that you could not find anything in The Adjutant General's office in the absence of the service record, and in the absence of the application?

Col. HALLETT. No; I am not entirely sure, because I can not say what they would really find. Those are the two things which would give us the information from which we could get the insurance.

The CHAIRMAN. Do I understand you to say, Colonel, that in the establishment of these claims for the insurance that you have never taken into consideration the triplicate abstracts or the abstracts issued in triplicate from the pay roll?

Col. HALLETT. No; I meant to say that I had not seen personally that abstract nor has it been in my division. Whether or not it is in the insurance division and is checked for there in their no-record file and put in against a request for application from us, I do not know.

The CHAIRMAN. You have no file of it in your office?

Col. HALLETT. I have no file of it in my office.

The CHAIRMAN. Did you state when Mr. Begg was asking you questions how many claims you had under consideration for insurance at this time?

Col. HALLETT. Yes, sir.

The CHAIRMAN. And did you state how many claims had been rejected or had not been established?

Col. HALLETT. No; I did not.

The CHAIRMAN. Have you any idea how many such claims exist?

Col. HALLETT. I do not know as I quite understand what you mean by established. I have a little over 7,000 which are pending which have not yet been established.

The CHAIRMAN. Could your bureau consider the claim at all before the insurance had been established?

Col. HALLETT. We do not call it an insurance claim until we have established it as an insurance. It comes in as a compensation claim and is within the 305,000 claims that I spoke of as compensation claims.

The CHAIRMAN. Can you give us the number of these claims in which insurance has not been established?

Col. HALLETT. I could not.

The CHAIRMAN. Could you give it approximately?

Col. HALLETT. No, sir; the only thing I could do would be to state that we have about 4,000 more insurance claims received than the War Department has announced that there were deaths, and those must have been and are probably deaths that have occurred outside of the service, so there can not be very many more claims in this compensation file which may perhaps develop into insurance settlements.

The CHAIRMAN. This question may be outside your official duties entirely, but did not each soldier have some kind of a book or a record; did he not carry with him such a book?

Col. HALLETT. The Marine Corps has always carried what is called a pay book, and had it on their person. That was not established in the Army until a comparatively late date, after I came away from the other side, and I do not know just what the form was or what the arrangement was. I think they had, however, some such book.

The CHAIRMAN. That was my understanding of it; that they did not establish it until October, 1918.

Col. HALLETT. It was established very late, but whether it got into full usage and whether it was turned in after demobilization by the soldier or not, I do not know. We are attempting to make a study of these cases just as rapidly as we can from the statistical and actuarial point of view, and we probably can get these figures before very long, but I do not like to use my personnel on that to the detriment of settling compensation claims at the present time.

Mr. MOORE. In view of the distance to be covered and the conditions that actually existed on the other side, do you think it is surprising that there was a failure to file applications or a failure of the applications reaching Washington to the extent you have stated in cases where insurance had actually been applied for?

Col. HALLETT. No, sir.

Mr. MOORE. Mails were lost to a considerable extent; that is a fact, is it not? When a claim is made, as I understand, you either find an application or you do not find it; if there is an application found that is the best evidence?

Col. HALLETT. Yes, sir.

Mr. MOORE. If there is no application found, as has happened in several thousands of instances, you apply to the Auditor of the War Department for information?

Col. HALLETT. Yes, sir.

Mr. MOORE. If a deduction is shown to have been made, you take that as evidence that the application was actually filed?

Col. HALLETT. Yes, sir.

Mr. MOORE. Have there been many cases in which proof independent of that has been gotten that applications were made and no deductions appeared outside of proof gotten from the officers of the man's unit.

Col. HALLETT. There may be one or two cases that have come to my knowledge, and I think I would have heard of all of them because I think these all went through the office of the general counsel.

Mr. MOORE. These cases might very easily have occurred in this way: A man about to go into battle would signify his purpose to the

officer to take insurance, and then the man in conflict might have been killed without any payment actually having been made?

Col. HALLETT. The only actual case, the circumstances of which I can remember at the present time, was one in connection with the Cyclops case, where we had a copy of a letter in which the boy said—that was where they had stopped at some place long enough for him to mail a letter: "I have received your letter just before sailing and have taken your advice, and just took \$10,000 insurance." We took that as evidence of an application in view of the peculiar circumstance, and although the case has not been definitely settled, I think it will be settled before very long, because I have sent out to get the information as to who the people were within the permitted class, and that was the only case so far as I know where such a letter was received, and under these peculiar circumstances it was taken.

Mr. MOORE. Have you ever in your requests for information which you have sought at the War Department had any facts brought to your attention that tend to show that there has been any such fraud as was suggested a while ago as at least possible without being stated that there ever was any? Have you anything to indicate the probability of fraud having been committed?

Col. HALLETT. No, sir.

The CHAIRMAN. I have understood you to say that you have a maximum of 1,500 men employed in your branch?

Col. HALLETT. Yes, sir.

The CHAIRMAN. How many of them are examiners?

Col. HALLETT. Two hundred and eight.

The CHAIRMAN. The examiners are people who are really charged with the responsibility of keeping up the claims, are they not?

Col. HALLETT. Yes, sir.

The CHAIRMAN. The other employees are subordinate clerks?

Col. HALLETT. There are about 65 reviewers who review the work of the examiners in order to have these claims pass through two hands before they are definitely settled upon.

Mr. MOORE. The remaining employees are the ordinary clerical force—typewriters, file clerks, stenographers, messengers, mail readers, index searchers, and the investigation section which works for all branches of the bureau?

Col. HALLETT. The percentage is not so very large handling in a responsible way these claims. We try to keep it down as much as possible.

Mr. MOORE. There have been claims asserted, I suppose, where there were no applications and where you fail to find any proof at all of deductions?

Col. HALLETT. Yes, sir.

Mr. MOORE. And where you also fail to get any outside evidence that application was made for insurance?

Col. HALLETT. Yes, sir.

Mr. MOORE. How many of these claims are there? Have you any idea? What percentage of the total claims that are being brought to the attention of the office?

Col. HALLETT. I think not more than 8 per cent, but that is an estimate. I have not it from the actuarial department; I do not know.

Mr. MOORE. When you have such a claim you try to investigate it thoroughly to ascertain what is the right of the matter?

Col. HALLETT. Yes, sir.

Mr. MOORE. You are, of course, forced in some instances to reject the claim; is that true?

Col. HALLETT. Yes, sir.

Mr. MOORE. There have been rejections. Some time ago you were questioned as to the extent of the rejections. Can you give any idea of the figures or percentage?

Col. HALLETT. The disallowances, as we call them, of insurance, were very low. I believe it was about 8,000. Of course, those people might be entitled to compensation and receive compensation although not entitled to insurance.

Mr. MOORE. I suppose it goes without saying that in this time when conditions are so abnormal it is pretty difficult to get an office force that represents a maximum of possible efficiency or that is altogether satisfactory?

Col. HALLETT. It is.

Mr. MOORE. The conditions that obtain there are very analogous to the condition that obtain in a large business in this country at the present time, are they not?

Col. HALLETT. So I am informed, although I do want, if I may be allowed, to inject here a statement that while I was on the outside looking in I was very skeptical about the amount of work that the people were doing there. When I got there I was very pleasantly surprised at the vast amount of work that these people are willing to do. The men in order to do the work that has been required of them have been giving their evenings, extra time without stint. The various stenographic and typist sections have actually volunteered when our correspondence and mail got behind to come back evenings and ask for special evening passes to get in there and clean up the situation, and I think that they deserve a great deal of commendation.

Mr. MOORE. I am not criticizing for a minute.

Col. HALLETT. I do not mean that. But I am very glad to have anybody ask me about it because I feel so strongly about it. I know that they are not run with the same amount of efficiency that some of the big organizations are. We try to get them approach that goal. Standing and talking in the corridor, I can not keep them from that, but I do know they are giving their attention and time, and we are trying to get real efficiency out of it.

Mr. MOORE. Is there any payment for overtime?

Col. HALLETT. Not a bit.

Mr. MOORE. They have volunteered for that sort of work?

Col. HALLETT. Yes, sir.

The CHAIRMAN. You were asked about the number of employees. Our information is that there are 1,735 employees in your department. Is that correct?

Col. HALLETT. I do not know whether that includes the medical division or not, which is a separate division. One thousand seven hundred and thirty-five is correct. I have increased it very materially in the last 15 days. The medical division is about 500 now.

Mr. GARLAND. I understood you to say, or perhaps to intimate, there might be more employees than you need there in the absence

of thorough organization; that is, you had not the organization so complete at the present time as you expect to have it, and led to the thought that you might be able to reduce the force. Am I correct?

Col. HALLETT. We are organized on what we call the functional system. That is, the files are all in a pool. The stenographers are in a pool; the typists are in the pool. The mail is handled in the general pool until it is distributed to the examiners. That was the organization which I have found there. I have been making a very extensive study to find out whether I could refine the organization by putting in what was called a unit system, dividing each man's files up into a little unit and putting him into a room with his own files, his own typists, his own stenographer, file clerk. At the present time, however, it is such a radical change, and the advice of some of the biggest efficiency experts that I have been able to get in communication with has been against making the change until we get upon our feet, because all those radical changes cause a very bad effect upon immediate results, and we want to get results first at the present time until I can see that I have got these cases out of the way, and then I can commence to refine.

Mr. GARLAND. You can refine this organization as you choose without anyone refusing to permit you to do so?

Col. HALLETT. My hands are not tied. No, sir; I take the full responsibility on that.

The CHAIRMAN. May I suggest that you ask him what restrictions the civil service placed over him in that respect, if any?

Mr. GARLAND. Yes; I will ask that question.

Col. HALLETT. The civil service are placing no restrictions over us except in the obtaining of employees, and they have been very, very helpful in trying to get us the employees.

Mr. GARLAND. But the other side of it—I mean getting rid of them, to discharge them under civil service.

Col. HALLETT. I have not yet run into that particular situation very seriously because it is only recently that we have been actually put under civil service, and a great many of my employees were temporary and have not been six months under the civil service so that I can discharge them before. Some of them I could not, I imagine, but those I have not had to yet.

Mr. GARLAND. I advise you to make the change as quick as you can before the civil service gets in operation, or else the employee will decide to discharge them for you.

Col. HALLETT. I have had no experience with the civil service.

Mr. GARLAND. I operated under it 17 years. I know something about it.

Mr. ANDREWS. What is the point you had in mind?

Mr. GARLAND. There has been right along a great deal of rumor, statements, and suggestions that in these departments there are too many employees. It has been stated time and again that they were practically falling over one another; there were so many of them they were in one another's way and could not do work because of that. How long have you been in charge there?

Col. HALLETT. Since June 4.

Mr. GARLAND. I do not know whether you could answer that question or not, whether or not you found that was the condition when you came there.

Col. HALLETT. I did not find it. I did find that it had in many places the appearance because of the fact that there was not at that particular time room enough so that we had at some times to put two men at a desk and we have had to work part of the force at night and part day to clean up, because of lack of room. I have heard these rumors but have not found such a condition yet.

Mr. GARLAND. Have you reduced the number of employees since you went in there?

Col. HALLETT. I have increased them. When I first went in there I was getting new claims at the rate of 1,000 a day. We get them now at the rate of 750 a day. I had to increase them to handle those new claims that were coming in. I found when I got in there a man handling 3,500 cases. The result was when you gentlemen would write me to find out why a certain case had not been handled, I found the man who was handling that case was handling more than he actually could to handle his correspondence, and I have had to enlarge and find out the number of cases that a man could handle. They were doing it on a volunteer basis, going to a man and saying I am pretty near up with my insurance; have you anything? When I first went there I found piled up cases because we had a lack of personnel and the men would try to handle it. I immediately went and got personnel because I wanted these cases handled.

Mr. ANDREWS. In connection with the civil-service matter, I want to call attention to this fact. The head of any department may separate anyone in the classified service from the roll for the good of the service. He has full discretion to do it. It frequently happens. He does not have to go into court to prove his right to do it, so that the director through the Secretary of the Treasury, could carry out the proposition at any time in his judgment that it should be done.

Mr. GARLAND. The removal is subject to review.

The CHAIRMAN. We have a specific case here that we ought to take up and have reached it now. I think we can dispose of it tomorrow morning. If there is no objection, we will adjourn until 10.30 o'clock a. m., to-morrow.

(Thereupon, at 1.15 o'clock p. m., the committee adjourned to meet again at 10.30 a. m., Thursday, October 16, 1919).

COMMITTEE ON EXPENDITURES IN
THE TREASURY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, Thursday, October 16, 1919.

The committee met at 10.30 o'clock a. m., Hon. Porter H. Dale (chairman) presiding.

The CHAIRMAN. The committee will come to order. Do you wish to make a further statement, Col. Hallett?

Col. HALLETT. Here is a pay roll that I got at the War Department; it is one of the blank forms they use.

Mr. CARTER. Suppose we make that Exhibit "C."

The CHAIRMAN. Yes.

(The form referred to, marked for identification "Exhibit C," is as follows:)

Pay Roll of _____, from _____, 191—, to _____, 191—.

Names, present and absent, and rank.	When enlisted.	Enlistment period.	Remarks.

_____, _____, 191—. I certify that the roll is made out as required by Army Regulations and that the entries opposite each name are correct and just. Except as otherwise stated in "Remarks," each man whose name appears on this pay roll was last paid to _____, 191—, by _____, QM., U. S. A.

Commanding Organization.

_____, 191—. I certify that I have this day mustered this organization, and find all present and absent are accounted for on this roll as required by Army Regulations.

Inspecting and Mustering Officer.

I certify that I witnessed the payment of this roll and that prior to the signing of this certificate each man received the amount set opposite his name, with the exception of those men marked "Not paid."

Commanding Organization.

NOTE.—This certificate to be signed only on the copy of the pay roll which bears signatures of the men for payment in cash.

I certify that this roll is a true copy of the roll upon which payment, witnessed by me, was made, excepting as to the signatures in the receipt column and the certificate as to witnessing the payment thereof.

Commanding Organization.

NOTE.—This certificate to be signed only on the copy of the roll not receipted, and which constitutes the quartermaster's retained voucher.

Voucher No. _____

(Name of quartermaster.)

Paid _____, 191—.

PAY ROLL.

(Organization.)

(Regiment.)

(Station.)

For month of _____, 191—.

Pay of Army, 191— \$ _____
Pay of Army, 191— _____
Pay of Army, 191— _____
Pay of _____, 191— _____
Amount: _____

Collections:
 Quartermaster's \$
 Post exchange
 Post laundry
 Paid in cash
 Total

[This roll not to be folded.]

Post exchange collections hereon paid by checks dated —, as follows:

Fort —, \$ —, No. —, on —.
 Fort —, \$ —, No. —, on —.
 Fort —, \$ —, No. —, on —.
 Fort —, \$ —, No. —, on —.

Post laundry collections hereon paid by checks dated —, as follows:

Fort —, \$ —, No. —, on —.
 Fort —, \$ —, No. —, on —.
 Fort —, \$ —, No. —, on —.
 Fort —, \$ —, No. —, on —.

Names, present and absent, and rank.	When enlisted.	Enlistment period.	Army serial number.	Allotments, class—		War-risk insurance.		Liberty bonds.		Other allotments, class E.
				A.	B.	C.	D.	Third.	Fourth.	

[These columns are for use of quartermaster only.]

Post laundry.	Post exchange.	Allotments.	Total amount due.	Amount of stoppages.	Balance paid.

[For use by accounting officers and, when necessary, for notations by quartermaster and witnessing officer.]

Received payment, in cash, of	C. M. fines.	Transportation.	C. C. and G. E.	Reg. Q. M. Sup's.	Subs.	Ordinance.

(Not to be signed in duplicate.)

Col. HALLETT. I would like to make one or two corrections on my statement of yesterday.

The CHAIRMAN. Let me say that I thought afterwards that we took a course of examination yesterday of which we should have given some notice.

Mr. CARTER. I think we got some valuable information yesterday.

Col. HALLETT. I want it understood that everything I said yesterday, particularly with reference to the figures, for the most part were estimates or guesses, because I find that it is almost impossible to keep some of these figures straight all the time, and I was asked yesterday, as I remember, as to how many cases we had in insurance where no application had appeared, but they were finally made up from outside evidence. As I remember, I gave an estimate of 10,000. I found that my estimate was very far from the truth. When I took this position the insurance part of the business was nearing almost a close, as they had gotten over the time—

Mr. CARTER (interposing). You mean applications?

Col. HALLETT. No; I mean the settlement of insurance cases was nearly closed; a large proportion of them had been settled, and all of the cases that we found coming in were largely compensation cases, either compensation for death or compensation for disability. That is why I was not as conversant with the figures of it. I found that the correct figures, the total number of no record cases, which have been settled up in the insurance division by reason of outside evidence that has been received is 2,025, and only 468 of those cases are cases in which a death has occurred and on which we are paying claims.

I also found that my estimate of disallowances, which I said was about 8,000, was very badly off, having in mind some disallowances with respect to other cases. The total amount of disallowances at the present time on insurance have been 612 automatic insurance; that is, where there was no application whatever and where the man had died previous to his making application within the 120-day period; and on contract insurance 399. These figures are not entirely conclusive because, as I said yesterday, a case at the present time is not considered an insurance case until we have evidence that there was insurance, so that there may be cases with a compensation number, but with an insurance question involved which have not been closed, because it is the policy of the bureau, knowing the condition of the records at the present time, not to close any claim for insurance until every possible means of creating that insurance has been exhausted. We do not feel that we can at the present time exhaust all of these means, so that these disallowances are largely cases that I have told you where in the contract insurance there have been some reasons why it should be disallowed, even though there was an application. Where there is no application, they will not appear, for the most part, in these figures, because those cases have not been settled or, rather, they are still continued pending as proof comes; for instance, this case this morning is considered pending.

The CHAIRMAN. You spoke about these applications. Applications are coming in now; that is, applications that have been temporarily delayed?

Col. HALLETT. I perhaps might make a statement in connection with that which would be of interest to the committee. As I said yesterday, they were originally made up in triplicate. It was then changed so that they were only made up in duplicate, and The Adjutant General was supposed to keep one and we were supposed to receive the other. The Adjutant General has found that he has no use for all these duplicates and he has turned them over to the bureau. They were not particularly well indexed; in fact, I do not think they were indexed—just separated according to letter, and not even the letter alphabetized—so that we have had the job of throwing those cases against our own files and trying to get them into shape so that they will give us all the information that we can get from them.

The CHAIRMAN. Are these original applications you are speaking of?

Col. HALLETT. They are the applications that were made out at the same time, supposed to be carbon copies of the original.

The CHAIRMAN. I want to get that clearly in my mind. Those are the originals and not what we had here yesterday that we marked "Exhibit B," the abstracts of the originals?

Col. HALLETT. Those are the originals. The abstract that you marked was an abstract which I have also found out more about.

Mr. CARTER. As I understand you, the original copy is sent to the War Risk Bureau and a carbon copy kept by the company commander of the unit.

Col. HALLETT. No; that was supposed to be sent to The Adjutant General for his records.

Mr. CARTER. To be kept by The Adjutant General. Then, since that time The Adjutant General, finding no use for them, has sent those carbon copies of the originals to your office?

Col. HALLETT. Yes, sir; and we are putting them against our files. Of course, where we find that the carbon copy from The Adjutant General's Office matches up with our original and we have no particular use for the carbon, although I understand they are still keeping them, where we find that there is a carbon which does not match up with any original, then they are making up a new case of that, because it is just as much of an original as any application that we would have, and we have found in a few instances not only the original, but the duplicate and the triplicate bound together in these, and that is why I said yesterday that I presumed that the company commander, or some other officer, held these together not knowing what to do with them until they finally got orders to send them in to The Adjutant General, and not having received, perhaps, the previous order telling them what to do with the original they all went in bound together, so that we have found those duplicates which did not in some instances match up with our originals, and which, I think, are responsible in a large measure for these 2,025. Some, however, we have received from checkage in which there was no application whatsoever.

As to those abstracts of payments I find that some officer in the Army was charged with sending them to the War Risk Bureau, and I imagine it was the financial officer; an abstract of deductions from pay that had anything to do with the War Risk Bureau, his allotments and insurance, those were sent to the bureau—that is, a duplicate copy was sent, a carbon copy. They were not initialed, however, or signed; practically they were not, as they say in the Army, accomplished; so that while they gave us information, The Adjutant General or the War Department will not stand behind those particular records, and we have them and make searches for them to find out the individual soldier's record for our own information, and to assist them in locating the cases in their records more speedily, but we can not take them as official records from the War Department, because they had not when received by us been accomplished.

The CHAIRMAN. You would not accept them as conclusive evidence in the absence of any other evidence?

Col. HALLETT. Yes; that is, we started to do that, particularly on the allotments, because that came up first, and the reason I did not know about this was because they had been giving allowances to the Allotment Division and were in their files there and were being worked upon in that division, and I had not seen them, although I found that one of my sections had always referred to them

and had been doing it before I took it over. It was one of those small details that had escaped my notice.

Mr. MOORE. The evidence was there en bloc, instead of being necessary to be called for in each individual case?

Col. HALLETT. Yes. The War Department would not stand behind the information that was on those abstracts as conclusive because it was found that while they were correct at the time they were sent in, perhaps, provided the clerical work had been done correctly, they were sent in at the time before the clerical errors had been checked up, and there were many things that came in that changed the status of the individual soldier which The Adjutant General or the War Department would have notice of, but which we would not have notice of from these abstracts.

Mr. MOORE. The evidence on these lists you checked up in individual cases?

Col. HALLETT. And refer that information from time to time to The Adjutant General's Office and his assistants in more speedily finding the thing, but we could not take it as definite information without going to The Adjutant General and having it authenticated.

Mr. CARTER. He said something about Exhibit B. He was going to say something about the abstract that was presented to you by the chairman yesterday.

Col. HALLETT. That is the abstract that I have been talking about. The other was an application blank that was put in.

Mr. ANDREWS. I have the letter of the director under date of June 13, covering the statistical side of this question in a way in which the bureau would have a showing from record over the signature of the officer at the head of the bureau. That gives us the number of applications made, volumes of insurance, and so forth, and with that letter in our files it occurs to me it gives us a basis on which we could deal with these matters after taking into account the inability to quote from memory a number of those figures which might be indefinite as we found yesterday and always will find. A large part of our time yesterday was taken up with matters that do not apply to the bureau as a matter of responsibility, and I think it is important and fair to the bureau for our record to show the line where the bureau should be held responsible for what belongs to it and we should not seek to load upon the bureau something that belongs to the War Department. To illustrate: That abstract to which reference was made yesterday was not your abstract; it does not belong to your records and is not a part of your affairs. You are not responsible for it in any way.

The CHAIRMAN. It does belong to his records. I want it to appear in the record that I say it does belong to the records of war risk bureau.

Mr. ANDREWS. And I want it to appear in the record that I say it does not regularly belong there. It belongs to the War Department; it is a War Department matter. The bureau can not be held responsible for records of the War Department and work of the War Department until they shall have gone to final record through the settlement of accounts from the War Department to the Auditor for the War Department and deposit of the money. Now, the bureau has gone to the War Department and done a large amount of work

that the War Department ought to have done, and right there is a division line which I think we ought to draw and which I will insist upon drawing as a matter of fairness to the bureau and accuracy of the record.

The CHAIRMAN. Let me ask you right there. The question was brought up here as to the abstract marked "Exhibit B." In the course of established custom was not that abstract sent to the Bureau of War Risk Insurance?

Col. HALLETT. Yes. If I can draw an analogy, I think that abstract was a great deal like your little slip you make out in a bank every time you make a deposit.

The CHAIRMAN. Exactly.

Col. HALLETT. That is, it was made out by the War Department to give us information.

Mr. ANDREWS. Simply an advance notice to you?

Col. HALLETT. Practically an advance notice. It was a notice to us that such and such payments had been checked by them and that all things being equal and that being a proper correct statement that they were chargeable to us for that amount.

Mr. CARTER. Does it go into your file?

Col. HALLETT. We keep those for information for such use as we could put them to.

Mr. ANDREWS. I would like to call attention to the fact at this point while that is helpful advance notice it is not legal information and is not a part of your records except as a matter of information given to you by the War Department. The official record comes to you from the War Department through the Auditor for the War Department, and through the Division of Bookkeeping and Warrants, and when they get that record as a basis of charge and the Auditor for the War Department reviews that pay roll and audits the deposit account, you have got an official statement and you don't get it until you do. You can not get it until that is done.

The CHAIRMAN. We did not ask you yesterday, Col. Hallett, about the salaries. Do you call it a section that you are in charge of or a division?

Col. HALLETT. I am in charge of two divisions, the Medical Division and the Compensation and Claims Division.

The CHAIRMAN. You said yesterday that there were approximately 1,700 employees?

Col. HALLETT. Yes, sir.

The CHAIRMAN. Can you give us approximately the total salaries of those 1,700? I should have mentioned it yesterday so you could have been prepared for it, but I was wondering if you could give it offhand?

Col. HALLETT. No; I can not. I think the average salary is \$1,240.

The CHAIRMAN. What is your salary?

Col. HALLETT. Five thousand dollars.

Mr. MOORE. With reference to the question you have just put; is there any effort to equalize the salaries of employees there so as to prevent discrimination?

Col. HALLETT. Yes. It is a very, very difficult proposition, because of the speed with which the organization was built up, and

there were a great many instances of lack of equalization there. There are people that are doing the work and are drawing, perhaps, higher salaries than others, and the former we try to move into jobs that are commensurate with those salaries or get rid of them as far as we can.

Mr. MOORE. That is a matter that bears upon the morale of the force and the efficiency of the work?

Col. HALLETT. Yes, sir.

Mr. MOORE. I have only asked the question because of the comments I have heard with reference to inequalities that are assumed to exist.

Col. HALLETT. There were inequalities there, and it is one of our biggest problems to try to get those inequalities straightened out, and the director recently borrowed from the War Department Col. Wainer, who made a great success on the other side with reference to handling the personnel for the purpose of trying to see if that personnel end of it could not be handled much more efficiently and those inequalities ironed out. We are at work on it because it hurts the morale, and anything that hurts the morale hurts the work.

Mr. GARLAND. They are all on annual salary, instead of per diem?

Col. HALLETT. Yes, sir. I have a few people who are working in the evening on the files straightening up the work and getting cases back to the files, of which that would not be true. They are contract workers at so much per hour.

Mr. GARLAND. Are any of them making less than \$3 a day; salary, of course, counts the same way.

Col. HALLETT. Yes, sir; I think some of the messengers are drawing \$900 a year, not counting the bonus.

Mr. GARLAND. The Nolan bill will raise them.

Mr. CARTER. Can you tell offhand, Colonel, what percentage of your force now is under the civil service?

Col. HALLETT. From the last figures that I saw, the last estimate I have, it is approximately somewhere around 80 per cent; temporary typists and stenographers who have not taken civil service, unless they did October 15, for they have kept advancing the date that they have to be dropped from the rolls.

Mr. GARLAND. Would you be able to get a sufficient force?

Col. HALLETT. I think we can persuade practically every one we have there to take the civil service to get the force sufficient to handle the work.

Mr. GARLAND. The civil service under these conditions is noncompetitive, is it not?

Col. HALLETT. No, sir.

Mr. GARLAND. It used to be with persons in the service.

Col. HALLETT. I had these 200 examiners and the reviewers that had been there, some of them two years, and they were all put under an examination this last week, and it was an open, competitive examination, and about as stiff a bar examination as I have ever seen.

Mr. GARLAND. That did not use to be the case.

Mr. ANDREWS. Were not a considerable number of these people in the early stages, when you were obliged to put on a large number quickly, taken from examinations that were not competitive, and the commission is now in process of furnishing competitive certifications to make permanent appointments?

Col. HALLETT. I really can not answer that. I know they came in and were given civil service or were allowed to come in without a preliminary examination by the civil service, but later were awarded civil service without any examination whatever.

Mr. ANDREWS. Suppose you wanted 5,000 or 10,000 people, and they did not have the required eligibles to make the certifications, it was necessary to waive some of the special requirements of the service, which I understand was done to meet the exigency.

Col. HALLETT. I am only talking from the history that I have heard.

Mr. ANDREWS. I have been in touch with it enough to fix that idea in my mind that it was done, and I do not see how it could have been done otherwise. It was a matter of absolute necessity, but since this pressure has disappeared I understand the commission is going on to furnish an eligible list of sufficient magnitude to certify to these places with permanent salaries.

Mr. CARTER. You had nothing to do with the organization of the bureau at the beginning?

Col. HALLETT. No.

Mr. CARTER. You were at that time not connected with the bureau; you were overseas, were you not?

Col. HALLETT. Yes, sir.

Mr. CARTER. So, any testimony that you might give with reference to it would be hearsay?

Col. HALLETT. Purely hearsay.

The CHAIRMAN. If there is nothing further along this line, we will take up the particular case that we have under consideration. We want to ask particularly about the case of Pvt. Howard Rollins Spaulding, Company B, Fifty-eighth United States Infantry, serial No. 560090.

Col. HALLETT. I have the file here of that case.

The CHAIRMAN. I will ask Col. Hallett to give a brief review of that case.

Col. HALLETT. I received a notice from Mrs. Clara E. Spaulding that her son, Howard Rollins Spaulding—

Mr. GARLAND. From where did this come?

Col. HALLETT. Lyndonville, Vt. As she wrote it, we got it originally Nollins instead of Rollins. That was received on December 21, 1918. A letter was written here December 28, acknowledging it, and asking for whatever information she could give and sending her a form, which was filled out stating she did not know the certificate of insurance number, her relationship, and whether it was a question of dependency. She answered the question as to whether she was dependent for support upon the deceased, "No," and whether the father was dependent, "No." As to whether there were any burial expenses, "No."

As the result of the receipt of that information, any claim for compensation by reason of dependency was disallowed, because there was nobody within the permitted class to draw compensation. In the meantime an attempt was made to secure an application from the insurance department, and at the same time an inquiry was sent to The Adjutant General for information concerning him which came back, Howard Spaulding, without any middle initial, Army

serial No. 560090, which tied in with the inquiry we had. We received it January 18, 1919, stating that he had died with bronchial pneumonia, that the emergency address was Mrs. Clarice Spaulding, and we had written to her as Mrs. Clarice Spaulding, and she wrote to us and told us that her name was Clara, and that her son's name was not Nollins but Rollins. That was on January 18, 1919. On February 4 we received a statement from the insurance division that there was no record. February 6 we received another letter from her stating that she had various statements from her son to the effect that he had taken out insurance and had written asking whether she had received the certificate, and when he found out she had not he had said he would take it up with his commander to find out why not.

Mr. MOORE. Did she send his letter along with that?

Col. HALLETT. No, sir; she did not. Apparently after the receipt of that letter another requisition was made on the insurance division, and a no-record statement was received from them on February 12.

The CHAIRMAN. Where does that no-record statement come from?

Col. HALLETT. That comes from the files section of the insurance division; the application files section. There are several letters here, March and February, which only report progress or lack of progress.

Mr. GARLAND. Is there no record where the premium had been taken out of his pay?

Col. HALLETT. At that particular time, his being an American Expeditionary Forces case, it was almost impossible to get any record on his premium checkages from this side of the water, as they had no record at that time, and we could not tie that in.

Mr. GARLAND. Was there a regular pay roll kept all the time? They were supposed to receive their money monthly.

The CHAIRMAN. I think that will come out as we come to it.

Mr. ANDREWS. The pay roll proposition would come through the War Department, would it not?

Col. HALLETT. Yes, sir.

Mr. ANDREWS. And you would necessarily have to get that information from the records of the War Department so far as pay was concerned?

Col. HALLETT. Yes, sir.

Mr. ANDREWS. You could not get it in any other way?

Mr. CARTER. Would you not have to get all your official information with reference to it from the War Department?

Col. HALLETT. Yes, sir.

Mr. ANDREWS. There is the point we want to emphasize in connection with it. I think we will save time if we keep clear the official duties and responsibilities of each, the War Department and the bureau.

Mr. GARLAND. There is a record of the fact of paying the man the money. That is all there is to it, whether he received it or not; that would be the point.

Mr. ANDREWS. That comes through the War Department.

Mr. GARLAND. You might state through the other offices that he should be paid so much, but the fact is what did he get and what was kept out?

Mr. ANDREWS. That is on the official pay roll.

Col. HALLETT. On March 25, 1919, we received from her an affidavit by Pvt. Ernest E. Kittredge, of the Fifty-eighth Infantry, that in his presence at Camp Greene the above-named Howard Spaulding made application for \$10,000 Government insurance.

Mr. CARTER. Who was that from?

Col. HALLETT. That was sent to us by the mother and was made by Pvt. Ernest E. Kittredge, of Company D.

Mr. CARTER. If you gave the substance of that, we would not have to mark it as an exhibit.

Col. HALLETT. It was just a short affidavit stating that while at Camp Greene in the affiant's presence the above-named Howard R. Spaulding made application for \$10,000 Government insurance. There was also received a similar affidavit, worded in the same way, sworn by Ernest O. La Bounty, private Company C, Fifty-eighth Infantry.

Mr. GARLAND. Where was this application made?

Col. HALLETT. Camp Greene.

Mr. GARLAND. The Army records show that?

Col. HALLETT. No, sir. This is evidence of two of his companions. At the time those were received, on the chance that more applications had come in, as a great many of them were delayed, continual search was made in our files. On May 21 the auditor was requested for information concerning the checking of this man's accounts.

Mr. MOORE. Does not that affidavit of Mr. La Bounty simply show that he was informed by the deceased that he had taken out insurance? I understood you to say that the first affidavit was from somebody who claims that he had more direct knowledge of the fact.

Col. HALLETT. No, sir; this says here: "I do hereby certify and declare that I am personally acquainted with Howard R. Spaulding, and I further certify and declare that while at Camp Greene and in my presence the above-named Howard R. Spaulding made application for a \$10,000 Government insurance policy."

Mr. MOORE. I was looking at what purports to be a copy of the sworn statement of Ernest O. La Bounty, May 22, 1919, in which it appears that La Bounty inquired of Spaulding as to whether he had taken out insurance, and his reply was in the affirmative and in which he also refers to some correspondence between Spaulding and Spaulding's sister.

The CHAIRMAN. You have something else there, Mr. Moore.

Mr. MOORE. This was handed me by Mr. Barrett. I saw that affidavit and then I saw this additional affidavit in his file.

The CHAIRMAN. We will have Mr. La Bounty on the stand later. Col. Hallett, have some of these applications been held by the company officers where they were made until demobilization and then sent in afterwards?

Col. HALLETT. It is presumed from our finding them in these Adjutant General's files that probably has been done. We do not know who has held them or how they have been held but how they come to us. We know that they come to us very late.

The CHAIRMAN. Perhaps I assumed a little too much in that question. That was my understanding that they were held somewhere and sent in.

Col. HALLETT. That is the reason why none of these cases are definitely disallowed because of the fact that we never can say that evidence is not in existence and we do not want to prejudice anybody's case by making such a disallowance if such a disallowance would prejudice it when we know that perhaps that evidence has not come in.

On July 8 we received an indorsement which went through in reply to a letter to the commanding officer, headquarters company, Fifty-eighth Infantry, to which Spaulding was at that time attached, asking about his insurance. Perhaps you would like to have me read this as it may be important.

We have information before us that Pvt. Spaulding, formerly a member of your command who died November 27, 1918, applied for contract insurance for an amount of \$10,000 while stationed at Camp Greene, Charlotte, N. C. He was then a member of Company D, Fifty-eighth United States Infantry. Application was witnessed by Lieut. Sherrald of that company.

That appeared in some one of Mrs. Spaulding's letters.

Some time after that he was transferred to the Headquarters Company, Fifty-eighth Infantry, and was a member of that company at the time of his death. Will you please advise us whether your records show anything in regard to this application or whether the application is on file with your command?

The first indorsement on this was:

Headquarters Company, Fifty-eighth Infantry, American Expeditionary Forces, and dated June 13, 1919, Fifty-eighth Infantry, American Expeditionary Forces, Germany, forwarded.

1. This organization has no record pertaining to war-risk insurance of Pvt. Spaulding. If there are any records in your office, request that they be forwarded to the compensation and insurance claims division, Treasury Department, Washington, D. C. Signed, Mack M. Lynch, captain, Fifty-eighth Infantry.

Second indorsement, statistical section, Fifty-eighth Infantry, American Expeditionary Forces, Germany, June 16, 1919, to the Director of Compensation and Insurance Claims, Division, Treasury Department, Washington, returned.

1. All duplicate applications for allotment and insurance were disposed of as contemplated under Bulletin No. 99, General Headquarters American Expeditionary Forces, 1918.

That, I believe, although I have never seen that bulletin, ordered them returned back through General Headquarters.

2. No deductions have been made from soldier's pay on account of war-risk insurance while a member of the Fifty-eighth Infantry. Signed, Joe T. Jackson, captain, Fifty-eighth Infantry, personnel adjutant.

I should say here that there is another statement of Ernest O. La Bounty which I think is the statement Mr. Moore was looking at. I had not noticed it was in here, and a statement by E. E. Kittredge, of May 17. La Bounty's is May 22, and La Bounty states that he had asked Spaulding, or that Spaulding asked him, while at Camp Greene what he, La Bounty, did with the insurance, and said he had taken out his insurance that evening, and La Bounty replied that he had taken out his the morning of the same day.

Mr. MOORE. La Bounty's previous affidavit of March, 1918, is to the effect, is it not, that he saw the transaction?

Col. HALLETT. In his presence; yes, sir.

Mr. GARLAND. I do not think that would amount to so much.

Mr. MOORE. I am not undertaking to discredit him in any way, but only calling attention to the fact as we go along.

Mr. BEGG. Even this does not say that he did not see it, but asked him what he thought of the insurance, in the evening.

The CHAIRMAN. We will have Mr. La Bounty on the stand.

Mr. MOORE. Do not assume that I am trying to discredit him in any way, only calling attention to the facts as we go along.

Col. HALLETT. I think I might say that we do not particularly pay much attention to these things in the bureau, and they do not mean much to us unless there was absolute evidence of fraud, and we realize how these are made up.

The statement of Kittredge states that Howard Spaulding and he were together when they took out insurance, and he positively knows that Howard Spaulding took out insurance, that they were insured by First Lieut. Sherrald, of Company D, Fifty-eighth Infantry, and payments were to be made to Capt. Spessard, of Company D. "I think the payments of \$6.90 per month were taken out of Spaulding's pay; he drew \$23.10 per month."

Mr. GARLAND. What would be his premium on \$10,000?

Col. HALLETT. Somewhere around there. I have not the rate card; approximately that. If it was \$6.30, that would mean \$10,000 with his age.

There is an affidavit from Charles D. Stevens, town clerk and treasurer of the town of Lyndon, with reference to extracts of letters which he had read that day and which state variously—"I took out \$10,000 insurance, Saturday, April 6, in favor of you."

The CHAIRMAN. Should it appear there that this is his statement that he is making to his mother, as you read it?

Col. HALLETT. I do not know but it is. It does not state. They are now in possession of the parents.

In a later letter of May 6, Camp Mills, he asks, "Did you get that certificate from the Government to show for that insurance?"

Letter from overseas at Folkestone, June 8, says: "Let me know about that insurance if you have received the certificate."

Letter dated June 30 says, "It is funny you don't hear some way about that insurance. I will have to speak about it, I guess."

Mr. GARLAND. Who was writing these letters?

Col. HALLETT. Spaulding. Another letter of July 13 from France says: "Did you receive my application blank?"

These were written, as he says, to the parents.

Mr. VAILE. These are extracts from letters in possession of the parents that you are reading?

Col. HALLETT. I was reading from an affidavit of Mr. Stevens.

I have here a transcript of payments received from the chief of the foreign-service division, with reference to the Spaulding pay account while on the other side, which shows that Houston voucher 998, May 1 to 31, 1918, he received \$32.10; left United States May 10, 1918. Houston is the paying quartermaster.

On voucher 214, Houston, June 1 to July 31, apparently two months, 1918, \$66. Houston, September account, August 1 to 31, 1918, \$33. Houston, November account, 202 voucher, September 1 to October 31, not paid.

Then there is the certificate:

I certify that the above is a true transcript of the rolls on file in this office. W. A. Ball, chief foreign-service division, by JRH, 705.

Mr. GARLAND. They mean that they did not pay him anything for that particular month?

Col. HALLETT. Yes, sir; for those two months he apparently had not been paid.

Mr. GARLAND. Did he receive it at any other place? Do you have any record of his having received it?

Col. HALLETT. I think that may develop.

Mr. GARLAND. I thought they had taken the whole deduction out that month—what they had not taken out before.

Col. HALLETT. We had written to the Auditor for the War Department for information concerning this man's accounts and received an indorsement on October 4, 1919, from the auditor, "returned, inclosing a transcript of the payments made to the above soldier while in the American Expeditionary Forces." That was the thing I have just read.

This office has no information of insurance applications.

He does not say anything about premiums. That was in answer, apparently, to the question: "I wish you would please advise us whether these premiums were deducted from his pay account on this insurance or whether you have any information concerning this application." And that was in answer to the second part of the question. The payments up to the time when he was not paid show that there were no deductions for any insurance.

Mr. BEGG. Might I just ask a question there? Do these boys when they are paid sign their pay roll?

Col. HALLETT. Yes, sir.

Mr. BEGG. You have put one of those on file.

Col. HALLETT. It is now in the record.

Mr. BEGG. Do you know from your own experience when you signed this pay roll whether when you signed it these other blanks were filled in or whether the soldier filled them or whether he just signed his name and the officer filled them in, like Army serial number, allotment class A, or B, war-risk insurance, Liberty loan bond, third, fourth, and other allotments? Were those filled in by the officer or by the man who signed his pay roll?

Col. HALLETT. Those were filled in by the noncommissioned, the first sergeant, who made up the pay roll.

Mr. BEGG. The man who signed the pay roll had nothing to do with filling it in?

Col. HALLETT. No, sir.

The CHAIRMAN. When the application for insurance is made out, is the soldier given two blanks, one of which is an application for insurance and the other of which is a declination if he does not want to take out insurance?

Col. HALLETT. I can not answer that; I do not know. I have not seen the "nones," as we call them. There are "nones" and I do not know whether they are put in on the same blank or whether it was a separate blank.

The CHAIRMAN. I did not have that in mind so much as the understanding that I have obtained from some sources that every soldier had to sign either an application for insurance or a form in which he stated that he refused to take out insurance.

Col. HALLETT. That was so, and in practically every camp I should say 90 per cent of the men who were in camps signed some paper with respect to insurance. The searchers through our files for applications always include a thorough search through what we call the "none" file, in order to make sure whether or not the man signed for or against, if I may use that expression.

Mr. BOG. Did you ever find either kind about this case?

Col. HALLETT. We have found no paper about this file.

Mr. MOORE. Have you brought this case down to date?

Col. HALLETT. I have had a very strict search, a new one, made on all The Adjutant General's records which have been turned over to our files on this case. As a matter of fact, they were working some time this morning to find them on the A. G. O. file, the index files of the bureau, and all the files that we have there, including the Spauldings as well as the Spauldings, of which there are 1,018. They have all been gone over, and we have been unable to find anywhere any indication of any application. I also had these abstracts gone over after I left here in order to find out whether or not there was any evidence in those abstracts of any deduction or any notice from a particular Spaulding, but could find none.

The CHAIRMAN. Let me ask you right there. Have you found any cases where the records show that no deduction of premiums has been made, and yet it has appeared afterwards that there was an application for insurance somewhere that made its appearance afterwards?

Col. HALLETT. I do not know. None of those cases have personally come to my attention. There was one case where the company commander took a man's application or request for application down in a notebook and had no blanks at that time and the company was immediately quarantined for some disease that had broken out and he died very shortly after coming out of quarantine, I think going by one pay day without a checkage. But we received the leaf torn out of the company commander's notebook and called that an application, so that it does not come into your case really, because we really had an application although it was distinctly an informal application.

The CHAIRMAN. Perhaps I do not make my question clear.

Col. HALLETT. No cases have come to my personal knowledge where there is both, no application and no checkage and yet the evidence of insurance is sufficient.

The CHAIRMAN. What I had in mind particularly was this: A case in which no premiums had been taken out and yet in which the application had been somewhere delayed and afterward appeared.

Col. HALLETT. That would not come to our attention at this particular time or to my attention particularly, because we have not checked back all of these accounts. We have assumed from the application that there was checkage and we have a rule in the bureau that where a man has died in service we will assume that the War Department has done its part of the work in collecting these premiums and have not gone to the trouble of checking back. We have found cases in officers where they have not made the deductions, but that is entirely separate and distinct because the method of handling officers' pay and enlisted men's pay is entirely different. We have found those in the officers. With the men you would not find

them because we have assumed as soon as we found an application if the man had died in the service his premium accounts were all right.

The CHAIRMAN. One might naturally think a soldier might say to himself, I have made an application; if they do not take out my premiums that is their lookout, and take his money.

Col. HALLETT. We have not had any particular policy on that.

Mr. GARLAND. There is one point I asked you that is not quite answered. There was a time over there when the officers were not paying them one or two months.

Col. HALLETT. We have not received all of the information from the War Department that it may be ultimately possible to get. For instance, they have not his service record as yet. It might appear on his service record, and if it does appear on his service record we will take that evidence even though it did not appear that he was checked and they deducted the amount of the premium from the amount of the voucher, on the assumption that it was not the boy's fault but it was the Government's fault, and yet, at the same time, the checkage should have been made.

Mr. GARLAND. I understood you to read from the officer's report, and at the latter part of it, that he had not been paid for two months.

Col. HALLETT. Not paid; and he died on November 27, and I find the record is apparently of the payments from September 1 to November 27.

Mr. GARLAND. Have you found a case of this kind in the reports of officers, that they had taken out more than the deduction and perhaps make up for a month that they had not taken out or two months that they had not taken out before?

Col. HALLETT. It would not come to us.

Mr. GARLAND. Two or three premiums in one month's pay?

Col. HALLETT. That would undoubtedly happen because I know men in my organization did not get paid, some of them, for six months. They came to me and I think I broke regulations and laws and everything else; I got them some money. Those do not come to us, because there are so few where we have had to build up in our particular division from checkages, and in those checkages we receive a statement from the auditor if it appeared that there was evidence of payments. We have made this case special. Generally, if it appeared that there was checkage we would get just a mere statement that there was checkage. If there is a checkage, we generally get the transcript of the payments, if possible.

Mr. GARLAND. In December of last year I was in Paris and met a number of boys from Pennsylvania, the Twenty-eighth Division, from my own home place; knew them personally. They were down there convalescing from the hospital. Some of them had not received pay for four months and they explained it that their immediate officers, that the department had written them who ought to have had charge of payments over there, in answer to their inquiry, that the officer had been killed, and another one taking his place, and he also having been killed there was nobody to certify to their accounts in that event, and they had not received their money for that reason.

Col. HALLETT. I think I should state that the abstracts of deductions for pay pertaining to Company D and for headquarters company have been checked for the months of February, March, April,

and May, and that all during that period while they were in this country there was no deductions made.

Mr. BEGG. Have you ever checked up this company? Are there other applications on file from this company?

Col. HALLETT. No; we have not, because we have not had the time, as a matter of fact.

Mr. BEGG. That is all right. How do you keep those applications, by companies, or alphabetically as to letters?

Col. HALLETT. I think the applications themselves are kept numerically. I think the index is kept alphabetically.

Mr. BEGG. They are not subdivided by companies?

Col. HALLETT. No; that is impossible. They never come in that way.

Mr. BEGG. How are your nonapplication blanks kept up in the War Risk Bureau?

Col. HALLETT. That I do not know; that is in the other division, at Sixth and B Streets, and I am in the Arlington Building.

The CHAIRMAN. Before we leave this other matter, I want to have it clearly set forth. Is it the practice, from your knowledge of it, Col. Hallett, when a man does not receive his pay, for instance, for three or four months, to take out three or four insurance premiums at one time when he does receive his pay?

Col. HALLETT. Yes, sir.

Mr. GARLAND. That is the point I was getting at.

Col. HALLETT. Yes; that would be done.

Mr. BEGG. The way I understood the question was, if he had received pay for three months and insurance had not been taken out, then on the fourth month they would take out for the previous insurance—for the three months that they had overpaid.

Col. HALLETT. Only, if he could certify that he had made the application and that it was the fault of somebody else; but they would not allow him to come around and make an application if it was not in the 120-day period they were authorized.

Mr. MOORE. How long did he live after the date which is assigned to this supposed application?

Col. HALLETT. He died November 27, and I think it was in April he was supposed to have taken it out.

Mr. MOORE. He lived from April to November and so far as you obtained information from the War Department there were no deductions during that period. That is correct, is it?

Col. HALLETT. Yes, sir.

Mr. MOORE. Have you ascertained whether they have the pay rolls on file in the War Department that show his signature for payments made to him during that period?

Col. HALLETT. I have not; no, sir. These vouchers that they spoke of here, as I understand it, are on the original pay rolls on which he was paid and on which is his signature. Those were in France at the time we got this information.

Mr. MOORE. Those pay rolls are supposed to be in the War Department now, are they?

Col. HALLETT. I think they are, but whether they are available I do not know.

Mr. MOORE. These abstracts are supposed to be taken from those pay rolls?

Col. HALLETT. Yes, sir.

Mr. MOORE. Have you ascertained whether Mr. Spaulding remained identified with the same company during the entire period from April to November?

Col. HALLETT. He was transferred, I think, from Company D to the headquarters company, and both of those have been searched.

Mr. MOORE. Can you recall when that transfer was made?

Col. HALLETT. No, sir; I do not remember.

Mr. MOORE. Then, it would seem that there were different officers dealing with him during that period.

Col. HALLETT. Yes, sir.

Mr. MOORE. If there was any fraud committed during that period, it would seem that it was a double fraud by two officers or two sets of officers; that is a fair deduction, is it not?

Col. HALLETT. Yes, sir.

Mr. MOORE. Now, do you think of any other evidence that you can get in this case in addition to that which you have obtained and detailed to us here?

Col. HALLETT. The service record of this man which may be available, we hope, before very long, but we do not know just when.

Mr. MOORE. What would that service record possibly show that you have not already obtained as part of the facts in the case?

Col. HALLETT. It might have a notation on it, \$10,000, war-risk insurance.

Mr. MOORE. That would be taken as conclusive, would it, whether deductions were made or not?

Col. HALLETT. Yes, sir.

Mr. MOORE. Whether he received the money without calling attention to the fact that there were any deductions or not?

Col. HALLETT. Yes, sir.

Mr. MOORE. You would establish the claim upon that sort of proof?

Col. HALLETT. Yes, sir.

Mr. MOORE. That is about the only additional evidence that you can think of that may be available?

Col. HALLETT. Except the knowledge that all of these records are not available by any means, and we would never disallow this case but would still keep working on it among our noncases until we were absolutely sure that every stone had been turned.

Mr. MOORE. I infer from what you said in the early part of the statement that you had some communication from some member of his family to the effect that letters had been received from him. Written statements had been received from him by his people at home in which the claim was made that he had filed an application?

Col. HALLETT. Yes, sir.

Mr. MOORE. Have you ever called for those communications?

Col. HALLETT. No, sir.

Mr. MOORE. It might be desirable to secure those, might it not?

Col. HALLETT. Yes, sir; although we have found that those have been very unsatisfactory and we have not yet been able to persuade ourselves that we can take these statements of men unless it is under very exceptional circumstances like the *Cyclops*.

Mr. MOORE. Assuming that they would not be treated as conclusive, nevertheless, if there are such statements in existence bearing

his signature, sent to his people at home, they might be helpful and enable you to properly consider that case?

Col. HALLETT. We assumed that the affidavit included that and we accepted that largely at the face value of the original communications.

Mr. MOORE. As I caught it, in the early part of the testimony there was some assertion made in some letter that communications had been received from him?

Col. HALLETT. Yes; and it was later followed by an affidavit stating what these various abstracts were and which practically gave us presumably everything that was in it.

Mr. MOORE. You did not read this; at least, I did not hear it.

Col. HALLETT. No. We have received three or four letters from different relatives of one man, to which he has written, saying that "I have just taken out insurance and made you beneficiary," and, as a matter of fact, it has developed he has taken out insurance and made only one person beneficiary, and we do not know why he wrote to others in the same way; but he has designated one beneficiary, perhaps the second the alternate beneficiary, and the third the third beneficiary, so we find we can not take the letters that the boys write home entirely at their face value, although we give them all the credence we can. We have got to back them up by some outside evidence.

Mr. GARLAND. Would there be a suspicion some of these letters were written by other than the boy himself?

Col. HALLETT. No, sir. She had the original letters and they have been sent in.

Mr. GARLAND. You spoke of not having some of the letters, like a case of the kind where you have not received the letters from the parents. Those letters were all passed on by the officer in charge, were they not?

Col. HALLETT. Censored on the other side.

Mr. GARLAND. That would be evidence that the letter was censored; that it was the bona fide letter?

Col. HALLETT. Yes, sir.

The CHAIRMAN. If Mr. Moore will allow me, I will make a suggestion that Mr. Moore, in his question, referred to the establishment of fraud. I do not think Mr. Moore meant to suggest that we were trying to establish fraud.

Mr. MOORE. By no means. That was referring to the question put yesterday and the possibilities of a case.

The CHAIRMAN. I just wanted that to appear in the record.

Mr. MOORE. I quite understand that. But we are taking this case as illustrative of the methods of this department, and I was only asking whether every avenue of information had been explored and whether every hypothesis was taken into account, and among other hypotheses one of possible fraud.

Mr. VAILE. I understand that the applications for insurance are filed numerically and that policies are filed alphabetically; is that correct? What is it that is filed alphabetically?

Col. HALLETT. We have to keep an alphabetical index of the applications. It is a cross index system. That is the insurance division and I am not sure how they keep them down there but it is my impression that they keep them numerically, merely from the fact that

sometimes in talking to them over the phone they say, can you give me the number, and we assumed from that they are kept in numerical order.

Mr. VAILE. The soldier has two numbers, Army serial number and compensation number?

Col. HALLETT. Not down there; no. The only number he has down there is the insurance number.

Mr. VAILE. Has a search been made under this soldier's serial number aside from the search made under his alphabetical place?

Col. HALLETT. We do not keep them under serial numbers. We use serial numbers as means of identification of the index card to make sure we are both talking about the same Spaulding.

Mr. VAILE. Is there anywhere a file of applications numerically?

Col. HALLETT. The applications themselves are all numbered; yes.

Mr. VAILE. Does that number correspond to the serial number?

Col. HALLETT. No. It has nothing to do with the serial number. It is just the number in which they came into the Bureau. That was put on them when they were sent in from the camps.

Mr. VAILE. So the serial number would give no clue except as a check in locating the name?

Col. HALLETT. Yes; because it was months before the Army adopted the serial number and we had all kinds of files coming before there was any serial number put on.

The CHAIRMAN. Was this man Spaulding transferred after he took out insurance?

Col. HALLETT. I should imagine he was because most of the affidavits here are from members of Company D, and there was evidence that he was transferred to headquarters company later on on the other side, I think.

The CHAIRMAN. Has insurance been established where you could not find any applications or could not find any record that the premiums had been taken out on the payrolls?

Col. HALLETT. I think there are one or two. I think there are very few; one or two cases where they have been established.

The CHAIRMAN. If agreeable to the committee, we will meet at 5 o'clock this afternoon.

(Thereupon, at 12.15 o'clock p. m., the committee took a recess until 5 o'clock p. m.)

(Pursuant to adjournment for recess, the committee met at 5.20 o'clock p. m.)

The CHAIRMAN. For the record, I will state that these two witnesses, Mr. La Bounty and Mr. Vigneault have been sworn.

TESTIMONY OF MR. ERNEST O. LA BOUNTY, LYNDONVILLE, VT.

The CHAIRMAN. Give your name to the stenographer.

Mr. LA BOUNTY. Ernest O. La Bounty.

The CHAIRMAN. Where is your home?

Mr. LA BOUNTY. I am making my home now at Lyndonville, Vt.

The CHAIRMAN. And you were in the service with Howard R. Spaulding?

Mr. LA BOUNTY. Yes, sir.

The CHAIRMAN. Did you take out some insurance?

Mr. LA BOUNTY. I took out \$10,000 insurance, yes, sir.

The CHAIRMAN. Will you tell the committee what kind of a process you went through when you took out this insurance?

Mr. LA BOUNTY. They called us up to the top sergeant's office and we went in there one at a time and he explained the insurance to us and asked us if we wanted to fill out this insurance; and the company commander had told us a day or two before that we had to fill one out. So I told him I did; and I made out a \$10,000 insurance application. He filled it out and then another fellow came in and done the same thing.

The CHAIRMAN. Did you see more than one kind of a blank at that time?

Mr. LA BOUNTY. No, sir; I did not. But I believe I signed three, not just this one, but we signed three blanks.

The CHAIRMAN. Do you know whether at the time you took out your insurance there was a blank on which you could make application for insurance, and also a blank on which you could decline to take out insurance?

Mr. LA BOUNTY. I could not swear to that, but I only saw one we made out for insurance.

The CHAIRMAN. Was Spaulding with you when you took out this insurance?

Mr. LA BOUNTY. No, sir; he was not.

The CHAIRMAN. Was he in camp with you?

Mr. LA BOUNTY. He was in D Company, just across from us.

The CHAIRMAN. And of what company were you a member?

Mr. LA BOUNTY. Of C Company, Fifty-eighth Infantry.

The CHAIRMAN. And he was a member of D Company?

Mr. LA BOUNTY. A member of D Company, Fifty-eighth Infantry; yes, sir.

The CHAIRMAN. You made an affidavit relating to this claim which has been made by Spaulding's mother for insurance and can you give us in substance what you intended to say in that affidavit?

Mr. LA BOUNTY. Well, Howard Spaulding and I were planning on going to the theater one evening and I hollered over and asked him if he was going to stay and he said he had to make out application for his insurance. I says: "I have got to make mine out in the morning." I saw him a day or so later—I could not just state the time—and he said he had made out an application for \$10,000 insurance.

The CHAIRMAN. Do you know anything more about that application as it relates to him?

Mr. LA BOUNTY. No, sir; I don't.

The CHAIRMAN. Did he say anything to you later?

Mr. LA BOUNTY. Well, I did not see him for some time—he was quarantined in for measles—whether he had them or not I could not say, but I know they quarantined in his company, and he was taken away for 21 days, I think it was, and I did not see him until we met in France, which, I would say was some time in August. He asked me about my insurance, whether my people had got any of the papers to show I had taken out any insurance, and I told him that they had, that I had just got a letter from my sister saying

that father had received my insurance papers. And he said: "It is funny, my folks have not heard anything from mine."

The CHAIRMAN. What do the members of the committee think about allowing this evidence to enter into this examination?

Mr. MOORE. This is my view of this case: That we are not undertaking to try the merits of this claim. It would be impossible for us to try the merits of the very large number of claims that may be in question before the bureau. The only reason why we are investigating this claim at all is for the purpose of using it as an illustration to show the methods that obtain. Therefore, personally, I can not see any objection to this gentleman reciting what he has said in his affidavits; that is to say, that representations were made to him by Mr. Spaulding as to the matter, just as he has given those representations within the last few minutes.

The CHAIRMAN. What is your judgment, Mr. Moore, as to his going on with the line that he has just started, as to what he said to him after he got over in France?

Mr. MOORE. As I say, personally, I have no objection to it. The bureau will have to determine whether or not the claim is established upon just such evidence as is going in now—all the evidence before it, including the evidence that is going in now, and can determine, and must determine what weight they would give to the future evidence.

The CHAIRMAN. Go ahead, then, Mr. La Bounty.

Mr. LA BOUNTY. And he asked me if I had received my papers. I told him that my folks had; that I got a letter from my sister the other day stating that my papers had got there, that father had received them. He said that it was funny that his folks had not got any papers or heard anything about it; and then I asked him if they were taking deduction off his pay for his insurance.

The CHAIRMAN. Taking deductions out of his pay?

Mr. LA BOUNTY. Yes; for his insurance. He said, "Yes." That is the last I ever saw of Spaulding until I got home.

The CHAIRMAN. Were there any witnesses to these applications?

Mr. LA BOUNTY. No, sir; there were not.

The CHAIRMAN. To whom did you make your application when you took it out?

Mr. LA BOUNTY. For insurance?

The CHAIRMAN. Yes.

Mr. LA BOUNTY. To Lieut. Flynn. He was my officer and the one to whom I made application.

The CHAIRMAN. They took deductions from your pay for insurance after that?

Mr. LA BOUNTY. Yes, sir.

The CHAIRMAN. In this country, before you went over, did they take deductions out, too?

Mr. LA BOUNTY. Yes, sir; they did, I think, the last two. That is, before I sailed they had taken it out.

The CHAIRMAN. And they took it out on the other side also?

Mr. LA BOUNTY. Yes, sir.

The CHAIRMAN. Will you say, Mr. La Bounty, whether, in the course of these deductions, they were made regularly every month, or whether you ran by, perhaps, a month or two or three months and deductions were taken out for several months at one time?

Mr. LA BOUNTY. I think it was taken out every month, except once there was three months—I think it was three months—that we did not draw any pay. When we did get our money they had taken it out.

The CHAIRMAN. The three months' deductions were taken out?

Mr. LA BOUNTY. Taken out for three months, out of the pay we got.

Mr. GARLAND. You got the whole three months' pay at that particular time?

Mr. LA BOUNTY. Yes, sir.

Mr. GARLAND. With the exception of the premium?

Mr. LA BOUNTY. Yes.

The CHAIRMAN. You say Mr. Spaulding was transferred?

Mr. LA BOUNTY. Yes, sir. He was transferred from D Company into headquarters company before we went across and then after we got across then in Chateau-Thierry during the time we were there they transferred me over into headquarters company after I got across—and we would meet off and on. He was in one branch of the service there in headquarters company and I was in another.

The CHAIRMAN. Do you want to ask him any questions, Mr. Andrews?

Mr. ANDREWS. No; I think not.

The CHAIRMAN. Is there anything you want to suggest Col. Hallett?

Col. HALLETT. Did you and he live at the same place?

Mr. LA BOUNTY. Yes, sir.

Col. HALLETT. Same post-office address?

Mr. LA BOUNTY. Yes, sir.

Col. HALLETT. You found when you got home that it was true that your people had received papers in connection with your insurance?

Mr. LA BOUNTY. Yes, sir. Father has got my papers to-day regarding the insurance.

Col. HALLETT. Were there any of the other men with you in the service who lived at the same town or village?

Mr. LA BOUNTY. Well, Mr. Vigneault did.

Mr. GARLAND. How long were you without pay over there at any one time, three months?

Mr. LA BOUNTY. Three months there that we did not get any money. Of course, I had a little loose chink of my own in my pocket.

Mr. GARLAND. Do you know the reason that you did not get paid those three months?

Mr. LA BOUNTY. I could not say.

Mr. GARLAND. Was any explanation given to you?

Mr. LA BOUNTY. No, sir; there was none.

The CHAIRMAN. Mr. La BOUNTY, when you received your pay was it paid to you at the time you signed for it there?

Mr. LA BOUNTY. Yes, sir.

The CHAIRMAN. Always?

Mr. LA BOUNTY. Yes, sir. We signed a slip simply stating that we had received the money.

The CHAIRMAN. You only signed one slip?

Mr. LA BOUNTY. One slip for the pay.

The CHAIRMAN. Was that a slip on which it stated that the premium had been taken out? Did it show on that slip that it had been deducted?

Mr. LA BOUNTY. There was one slip over there that we signed that they had not got the pay roll made up and we just signed our names on these slips and got our money.

The CHAIRMAN. You merely signed it in blank?

Mr. LA BOUNTY. Yes, sir.

The CHAIRMAN. Did it show about these deductions?

Mr. LA BOUNTY. It showed on the pay roll, the general pay roll that we had there, why they deducted money from our pay.

Mr. ANDREWS. May I add a word of explanation?

The CHAIRMAN. Certainly.

Mr. ANDREWS. It is a very common thing in the departments when salaries are paid after the regular day, or in an irregular way, that the person receiving the pay would sign a receipt. For instance, if the pay rolls had been passed in or had passed on to the administrative office or did not happen to be present, then these receipts would be signed and afterwards attached to the pay roll. It would be just the same as though they had receipted on the pay roll; and that happens more or less every month throughout the departments. That is simply a matter of convenience to avoid delay. It is customary on pay days for the pay officer to have the money there in envelopes in a little box which he carries around, and as the men are paid off they sign the pay roll. If they get their money when the pay roll is not available, then they sign these receipts which will be attached to the pay roll.

Col. HALLETT. Do you know whether he made an allotment to his family or not?

Mr. LA BOUNTY. No, sir; I could not say.

Mr. GARLAND. Does that practice of which you speak, Mr. Andrews, obtain in the Army?

Mr. ANDREWS. I know that is used in the Treasury Department, but I could not say.

Mr. GARLAND. I thought they were paid in check always.

Mr. ANDREWS. Sometimes they do, but generally it is by cash.

Col. HALLETT. I know. They sometimes sign individual slips in the Army. I do not know how it obtained in the latter days over there, but generally they had to make out a duplicate or a substitute pay roll.

Mr. ANDREWS. That is simply another form.

Col. HALLETT. That is another form of receipt.

Mr. ANDREWS. Simply another form of receipt.

The CHAIRMAN. Are there any further questions you wish to ask the witness?

Col. HALLETT. No; I do not think so.

TESTIMONY OF MR. EDWARD J. VIGNEAULT.

The CHAIRMAN. Will you give your name to the reporter, Mr. Vigneault?

Mr. VIGNEAULT. Edward J. Vigneault.

The CHAIRMAN. Where is your home?

Mr. VIGNEAULT. At Lyndonville, Vt.

The CHAIRMAN. And you were in the service with Howard Spaulding?

Mr. VIGNEAULT. Yes, sir; left home the same day and was sworn in the same day, the 24th day of February, 1918.

The CHAIRMAN. Perhaps we can get at this a little more quickly, Mr. Vigneault, if we ask you to state briefly what you know in connection with this claim for Spaulding's insurance.

Mr. VIGNEAULT. Well, at one time, when I was in France, our service records were lost. If I remember right, the town was Ourcq. We had to make out individual slips. The slip was typewritten out, and we had to give our emergency address, where we enlisted, whether we had allotments or insurance. I was in the orderly room at that time. There was quite a number of men making them out. They had two typewriters. Some would write them out with pen and ink. We expected at that time to go into the line any minute, and no man was allowed to go into the lines unless he had a record. That record was supposed to show everything—whether you had a court-martial, whether you had had any reductions from your pay, and everything from the time you went into the service—whether you were in the hospital. Howard was there at the same time I was, and I very clearly remember him say he had insurance, had made out insurance; that he had made it out at Camp Green. I actually saw that slip of Howard Spaulding, where he had an insurance of \$10,000.

Col. HALLETT. What date was that, do you remember, approximately?

Mr. VIGNEAULT. It was around between the 8th and 18th—we left for the front the night of the 17th.

Col. HALLETT. Of what month?

Mr. VIGNEAULT. July.

The CHAIRMAN. You mean you left for the front over there in France?

Mr. VIGNEAULT. Yes, sir; that was in France. I do not remember the exact date, but it was some time in July.

Mr. ANDREWS. Was this soldier lost in battle?

The CHAIRMAN. He died of illness over there.

Mr. MOORE. Where did you take out your insurance?

Mr. VIGNEAULT. Camp Green, N. C. Lieut. Sherrill was the officer that made out the papers.

Mr. MOORE. Did your family receive the papers?

Mr. VIGNEAULT. It was late when I got over there, just before the armistice, either September or October, if I remember right, they received the certificate saying I had taken out the insurance. Spaulding and I went over on the same boat and were transferred to headquarters company. Well, we were talking about insurance, and on the way over we were attacked by submarines, and after the thing was all over I was talking with Howard and he says, "That was a lucky thing. That saved the Government a good many \$10,000." We stopped at Folkstone, England, and he wrote to his mother. We stopped there for three days and we all had a chance to write home, and he asked his mother if she had received any notification of his

insurance, the same as I was writing to my people, my wife. Then after we got in to France we moved up to a town named Ussy, which is not a great way from La Ferte. It is near Chateau-Thierry.

The headquarters company was divided up in different sections and sent to different stations with the French for training. The pioneer section of the Fifty-eighth, what was known as the pioneer section, were near to Ourcq to put in a line of trenches and a barbed-wire entanglement and machine-gun emplacements. I did not see Spaulding until we got down to this town of Ourcq, and he asked me again if I had heard anything about my insurance, and I says, "No; it is queer, but we have got some mail, but found they had not received anything." After the Vesle River—we were on the Vesle River August 2 to August 12, when we were relieved there and went down to Billy Le Grand and stayed there for eight days. Just before we got in to Billy Le Grand—I forget the name of this chateau; it is just back of Cherry Farm on the Vesle River. I should say 10 kilometers from Billy Savoy signed the pay roll. I was looking up my insurance and allotment. Howard was right there at the same time, and he pointed out the place on the pay roll and said, "There is where my insurance has been taken out."

Mr. MOORE. Meaning that his premium was taken out?

Mr. VIGNEAULT. Yes; where his premium had been taken out.

Mr. ANDREWS. Were there any entries, any figures, on the pay roll which showed the deduction?

Mr. VIGNEAULT. I could not swear that it was his name that he pointed to, but he said: "There is where my insurance has been taken out."

Mr. MOORE. What month's pay roll would that be?

Mr. VIGNEAULT. That would be for July pay.

Mr. MOORE. Was your name on that pay roll?

Mr. VIGNEAULT. Yes, sir.

Mr. MOORE. Did he sign that same pay roll?

Mr. VIGNEAULT. Yes, sir.

Mr. MOORE. The pay roll to which he pointed?

Mr. VIGNEAULT. Yes, sir.

Mr. ANDREWS. And he signed the same, did he?

Mr. VIGNEAULT. I didn't look to see whether it was his name he pointed out. I had no reason to disbelieve that he was not pointing out his own name. He said: "There is where they have taken out that insurance."

I was with him once in the Argonne; that is, in October. He spoke about his insurance then. He didn't say whether they were deducting it from his pay or not. He said his folks had not heard yet of him having any insurance.

Mr. ANDREWS. Did I understand you correctly yesterday, Colonel, to say that if evidence were disclosed to the Bureau that the name of this soldier was on the pay roll, that the deduction had been made officially, and that it had their verification, that that would be proof acceptable to the bureau in making the allowance?

Col. HALLETT. It would.

Mr. ANDREWS. I think that is an important item.

Mr. VIGNEAULT. I think that was all.

The CHAIRMAN. Mr. Vigneault, are you a married man?

Mr. VIGNEAULT. Yes, sir.

The CHAIRMAN. Did you make any allotment?

Mr. VIGNEAULT. Yes, sir; I had to make it; was forced to make a class A allotment, compulsory allotment of \$15 per month; and the Government allowed \$15 for the wife and \$10 for a child—I have a child. That made about \$40 a month.

The CHAIRMAN. Were those allotments paid?

Mr. VIGNEAULT. They were paid from September until the date of discharge. Before that until September they did not get anything. Some months it was taken out and some it was not, but on the last 10 I was not drawing any pay, because I was indebted to the Government to the extent of \$150 on back allotments. They took that out. A man does not get any pay if he is behind the pay roll until he gets caught up with the pay roll.

Mr. MOORE. Did Spaulding make any allotments?

Mr. VIGNEAULT. He didn't say anything about allotments, but only spoke about insurance.

Mr. MOORE. Was his mother a widow?

Mr. VIGNEAULT. No, sir. He has a father, mother, and sister.

The CHAIRMAN. He didn't make any allotments, did he?

Mr. VIGNEAULT. I could not state whether he made out one or not.

Mr. ANDREWS. Was he single?

Mr. VIGNEAULT. He was single; yes, sir.

The CHAIRMAN. I may be wrong about this, but my understanding is if he didn't have a wife or children or mother or father dependent upon him he would not make an allotment, would he, Colonel?

Col. HALLETT. No, sir.

Mr. ANDREWS. Some men made an allotment.

Mr. VIGNEAULT. Some men made an allotment.

Col. HALLETT. That would be what is known as a Class "E" allotment.

Mr. VIGNEAULT. That is Class "E" allotment. That is what he said to me.

Mr. MOORE. As I understand he makes that allotment if he wants to when there is no one dependent on him.

Col. HALLETT. That allotment is paid by the Quartermaster of the Army and is payable to the allottee by the Army to some relative, to a bank, or anybody to whom the Class "E" allotment was made out.

The CHAIRMAN. Do I understand from your testimony, Mr. Vigneault, that there is still money due on the allotment to your wife?

Mr. VIGNEAULT. Yes, sir; there are six months, which would be \$240.

The CHAIRMAN. I do not want to ask you to go into the details of this, but can you give us the reason that has been given you why that has not been paid?

Mr. VIGNEAULT. I really could not get any satisfaction. My wife had lawyer Norton, working in conjunction with the Red Cross, write two or three different times, and I think I have a letter which I will send down and also send my pay book to show where this had been charged up against me that I had an allotment and where I had to still pay this back which I was indebted to the Government which they never paid over; and my service record will show that I was not paid up till July 1. When I was discharged I received July pay, seven days in August, and the \$60 bonus. That would be \$92.40.

The CHAIRMAN. What I was trying to get at, Mr. Vigneault, was whether there was some delay in this.

Mr. VIGNEAULT. Starting from the beginning I made out an application for allotment when I was in North Carolina with the Fifty-eighth Infantry. That didn't go through. Then before we went in to the St. Mihiel—

The CHAIRMAN (interposing). Do you know why that did not go through?

Mr. VIGNEAULT. No, sir. It appears that it was lost, or something. And I made out another allotment in Headquarters Company. That didn't show up, and we were at St. Mihiel and the company commander got a letter from Washington inquiring about me and why I had not made an allotment, a class A allotment. I explained to them then and there and made out another allotment which was dated, I think, along between the 10th and 12th of September and that was dated back to February which should have been when I applied in March, but they didn't pay allotments for some time.

The CHAIRMAN. And it was on the back part that you were paying?

Mr. VIGNEAULT. Yes.

The CHAIRMAN. That had not been deducted from your pay?

Mr. VIGNEAULT. You see you can't get a discharge from the Army if you owe the Government any money. There have been cases that men had to enlist in order to pay up before they could get discharged, to pay what they owe.

Mr. ANDREWS. In other words, under that rule if he owes the Government \$50 then he will have to stay in the Army that much longer to pay the \$50 back?

Mr. VIGNEAULT. They reenlist and then sometimes are given discharge. By reenlisting they get three months' additional pay.

Mr. ANDREWS. I would like to ask you whether a deduction was made from your salary, or from your pay for this back money?

Mr. VIGNEAULT. This allotment should have gone in effect the 1st of March, 1918. The first two blanks or forms I made out didn't reach Washington. There was no action taken on it. Then I made out another one in September with allotment from September until the time I was discharged. That was paid, but that before was not paid. This form that was made out was dated back. I don't know how they arranged it. Probably the colonel knows.

Col. HALLETT. You had not been charged with a deduction of that \$15 from March 1 up to September 1?

Mr. VIGNEAULT. No.

Col. HALLETT. So he had been drawing his money.

Mr. MOORE. You had drawn your pay in full, minus your insurance?

Col. HALLETT. And it was this allotment that was charged back?

Mr. VIGNEAULT. I had to pay that before I could get a discharge.

Col. HALLETT. It was supposed to be retroactive, but for some reason the bureau here has not made the payments from March to September, although they have made the payments apparently since that time. It came through in some way or other without the retroactive provision on it. Therefore, that has got to be cleared up.

Mr. VIGNEAULT. This pay book is a good deal like a service record. There are separate columns for various things, such as insurance and allotment of the various classes; and when deductions are made from your pay, it is noted in the proper column.

The CHAIRMAN. You speak of pay book. When did you get it?

Mr. VIGNEAULT. Those pay books went into effect October 1, 1918. If you went into the hospital, or away on leave of absence or furlough, with that pay book you could draw from the quartermaster to the extent, I think, of three months in advance.

Mr. MOORE. When were you discharged; last July?

Mr. VIGNEAULT. Last August; the 31st day of August.

Mr. MOORE. And the allotment had not been paid for the period up to September?

Mr. VIGNEAULT. From March to September, 1918.

Mr. MOORE. After you got home did you present any claim to the department, or have you brought it to the attention of the bureau that this allotment has not been paid?

Mr. VIGNEAULT. I believe I wrote one letter.

Mr. MOORE. When was that; do you remember?

Mr. VIGNEAULT. It was about the same time I had my war-risk insurance reduced to \$5,000. It was some time in the latter part of August.

Mr. MOORE. Did you receive an acknowledgement of that letter?

Mr. VIGNEAULT. No, sir.

Mr. MOORE. You have not?

Mr. VIGNEAULT. I have not received any certificate of the reduction of my insurance yet, either.

Mr. MOORE. You do not even know whether that letter was received by the bureau?

Mr. VIGNEAULT. I know that they have received the letter that I sent for my insurance because, where they ordinarily deduct \$7.20, the next month they deducted only \$3.60; but I did not receive any certificate showing that the insurance was reduced.

The CHAIRMAN. Mr. Vigneault, when you drew your pay and you say they did not take out this insurance, did you make any protest?

Mr. VIGNEAULT. Yes, sir; went into the orderly room every time, and they said they would have it fixed up. That ran along for a while, so I refused to sign the pay roll until they did straighten it out. I did get them to do that, and when they did that they took every cent away.

Col. HALLETT. You spoke about losing the service records. Do you know whether they were destroyed or just disappeared?

Mr. VIGNEAULT. I do not know whether they were mislaid or what happened to them. All I know is that we had signed those slips before we went into service.

Col. HALLETT. I was just wondering whether they were destroyed as a result of some bombing or what.

Mr. VIGNEAULT. There were some papers that were lost and never could be found. Whether those records were among them I do not know, but we had to make out those slips of paper, slips about the size of this pad of paper. When I was discharged I had the regular form of service record.

The CHAIRMAN. What unit were you in?

Mr. VIGNEAULT. I was with the Fifty-eighth Infantry, Headquarters Company, Pioneer Platoon.

The CHAIRMAN. Do you know whether any service records of your comrades in that particular unit have been received in Washington—perhaps I ought not to state it that way, because you would have no way of knowing—but have you learned from your comrades themselves whether their service records have been received?

Mr. VIGNEAULT. No; I do not know.

The CHAIRMAN. You do not know of anybody whose service records have been received?

Mr. VIGNEAULT. No, sir; but there is only one service record. Mr. La Bounty got out quite a while before I did.

The CHAIRMAN. He was with you?

Mr. VIGNEAULT. He was in the same company, same platoon, but he was wounded and sent home before us. I presume my service record would be over at Camp Devens. By this time it seems to me that in two months they should have sent this record in.

The CHAIRMAN. Have you been up to The Adjutant General's Office since you have been here?

Mr. VIGNEAULT. Yes, sir; and was looking over the service records and inquired about mine and Howard Spaulding's and Ernest La Bounty's. There was a part of a record there of Howard Spaulding, and Mr. La Bounty's record was there, but they could not find mine; mine had not come yet. I do not know where it is. It is over at Camp Devens anyway.

Col. HALLETT. Did you see the service record?

Mr. VIGNEAULT. Yes; part of it.

Col. HALLETT. Spaulding's?

Mr. VIGNEAULT. Yes, sir.

Col. HALLETT. Service record?

Mr. VIGNEAULT. No; they were not regular service records.

The CHAIRMAN. Do you know what was sent home as the personal effects of Spaulding? I do not mean for you to name the items, but do you know what was sent home to his folks?

Mr. VIGNEAULT. Yes, sir.

The CHAIRMAN. Was there any pay book among those effects, do you know?

Mr. VIGNEAULT. No, sir; no pay book. You see those only went into effect the 1st of October. We being in the lines at that time and his going to the hospital our records and stuff was back at the lines. Now, I will try to think the name of that—I can not think what name it is, but it is some woods. I think it is Bellicourt. You will recall we had to climb up over the hill. There was a large barracks in there. I think that is the place.

Up to the Argonne the band, the 58th band were in action, they did the stretcher work at that time. If you remember, Colonel, there was an order put out by the War Department that bands did not have to go in as stretcher bearers. Then they left the band there with the statistical department, left it in there in those woods and all of the headquarters company that went in was the trench mortars, Stokes mortars, and one-pounders, pioneers, signal, and intelligence section. Headquarters company is a company made up of different

specialists, specialties, and Howard R. Spaulding was in the signal section.

The CHAIRMAN. Is there anything more that any member of the committee desires to ask?

Mr. MOORE. I move that we adjourn.

Mr. GARLAND. I second the motion.

The CHAIRMAN. Mr. Moore moves that the committee adjourn subject to the call of the chairman.

(The motion was put to a vote and unanimously carried.)

The CHAIRMAN. The committee stands adjourned.

(Whereupon, at 6 o'clock p. m., the committee adjourned.)

COMMITTEE ON EXPENDITURES IN
THE TREASURY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Monday, October 27, 1919.

The committee met at 10.30 o'clock a. m., Hon. Porter H. Dale (chairman) presiding.

**STATEMENT OF BRIG. GEN. HERBERT M. LORD, DIRECTOR OF
FINANCE, UNITED STATES ARMY.**

The CHAIRMAN. At the last meeting, it was suggested that the oath be administered to the witnesses. Do I understand that it is the desire of the committee to have the oath administered to all of the witnesses?

Mr. GARLAND. That was Mr. Begg's suggestion, and I think all of them should be treated alike.

(Thereupon, the witness was duly sworn by the chairman.)

The CHAIRMAN. General, will you give the reporter your name in full?

Gen. LORD. Brig. Gen. Herbert M. Lord, Director of Finance, United States Army.

The CHAIRMAN. Merely for the record, will you state something of your military experience?

Gen. LORD. I was commissioned a major and additional paymaster of volunteers in 1898. At that time I was serving as clerk of the House Committee on Ways and means, under Nelson Dingley. I have remained in the service until this date. At the breaking out of the war with the Central Powers, I was actively in charge of the financial activities of the Quartermaster Corps, and during the war, prior to the setting up of an independent financial organization and my appointment as Director of Finance, I represented the Secretary of War in many finance matters that had general application to the War Department and to the Army.

The CHAIRMAN. In the performance of your duties as Director of Finance, you are brought into relations with the Bureau of War Risk Insurance, are you not?

Gen. LORD. I represented the Secretary of War as the War Department's representative from the time of the enactment of the legislation under which the Bureau of War Risk Insurance was established.

The CHAIRMAN. In the conduct of the relations between the War Department and the Bureau of War Risk Insurance, do I understand you to say that you represented the War Department?

Gen. LORD. Yes, sir.

The CHAIRMAN. And have done so up to the present time?

Gen. LORD. Yes, sir; up to the present time.

Mr. ANDREWS. And you are still doing so?

Gen. LORD. May I modify that a little: There is in the office of The Adjutant General an activity which handles at the present time, and has for some months, a great deal of correspondence that relates to the Bureau of War Risk Insurance in its relation to the War Department, but I have up to the present time represented the War Department in all matters that related to the actual money interests involved.

The CHAIRMAN. In the conduct of those affairs, has some considerable difficulty arisen as to the premiums, allotments, etc., in the Bureau of War Risk Insurance?

Gen. LORD. As regards the War Department, there has been no difficulty. The procedure that was originally agreed upon has been carried out in full by the War Department without any interruption whatever.

The CHAIRMAN. Has there been any difficulty in settling or reconciling matters between the War Department and the Bureau of War Risk Insurance?

Gen. LORD. Not that I know of. It might be well, if it meets with the approval of the committee, for me to give as briefly as possible a history of the arrangement agreed upon between the representatives of the Bureau of War Risk Insurance and the War Department at the inception of this undertaking. The war risk insurance bill, as it passed the House, provided that these disbursements should be made under the direction of the Secretary of War and the Secretary of the Navy, respectively.

Mr. CARTER. You say, "as it passed the House." Do you mean that specifically, or do you mean to say as it passed Congress?

Gen. LORD. As it passed the House. In the Senate committee it was changed so as to assign the duty of making the actual disbursements of the allotments and the allowances to the Treasury Department, that amended provision passed the Senate, was agreed upon in conference, and became the law, and it was responsible for the setting up in the Treasury Department of the Bureau of War Risk Insurance.

At that time I was in active charge of the War Department's allotment, an activity that we had had for some years, and when my attention was called to the change, it seemed to me that the original plan, or House plan, was more logical, would prove more economical and more efficient, and before the bill became a law I prepared a letter for the signature of the Secretary of War protesting against the change in the arrangement, and recommending that the procedure set forth in the House bill be adopted as the procedure to be followed. The Secretary of War was away, and the letter was returned stating that it was too late, which was the fact in the case, to take action. After the bill became a law, I was selected to represent the Secretary of War in conference with the representatives of the Treasury Department in handling this new activity. The first question that came

up was the question of the money withheld for allotments, or it was with particular reference to the allotments. The law provided that the allotments or the money withheld and which was to be paid to the beneficiary of the soldier and which was denominated an allotment, should be transferred to the Bureau of War Risk Insurance of the Treasury Department as it was taken out from the pay of the soldier. The allotment is handled in this way: A soldier has \$15 as his compulsory allotment, which must be withheld from his pay, and that is charged against him on the roll.

Now, this law was to go into effect November 1, and it was approved October 6, 1917. Therefore, there was little time left. For the month of November, the money on this \$15 allotment would not be earned until the last day of November, and under the law money accounts must be submitted in the mail not later than the 20th of the succeeding month, so that the collection of that \$15 from the soldier's pay for November would not be covered except in a money account that would not be put in the mail until the 20th of December. Allowing two weeks to reach the office, it would be sometime about the last of January or into February before the accounts could be examined, and that specific amount determined and the amount transferred to the Treasury Department for the use of the Bureau of War Risk Insurance. Before November 1, even, the requests received from the Treasury Department at the War Department for the payment of those compulsory allotments and the number of requests received from the field became very alarming, and it was realized that if it was delayed until the actual collections could be made and then reported to the Bureau of War Risk Insurance, there would be two or three months intervening before the allotments could be paid to the beneficiaries, which would defeat the purpose of Congress in giving immediate relief to the families.

I made the original recommendation in that case, which was the procedure that was adopted, and that was that on the request of the Secretary of the Treasury we should advance from the pay of the Army, which was an appropriation under my control, representing the Quartermaster General, to the Bureau of War Risk Insurance a sufficient amount to enable them to pay those allotments at the end of November, and so on for each month. That procedure was approved. The Secretary of the Treasury asked for an advance, and the original advance, I think, was \$15,000,000. That is to say, we loaned it to the Bureau of War Risk Insurance so that they could proceed to pay the families. Now, as to giving credit for that amount—and here is the matter in which this committee, I take it for granted, is mainly interested—the method was this: In the field soldiers had various classes of charges against them—

The CHAIRMAN (interposing). Excuse me, General, right there: You say that you loaned it to the Bureau of War Risk Insurance. Do you mean specifically that it was in the nature of a loan rather than an advance to them?

Gen. LORD. It was an advance. It was purely and simply a loan for the time being until we could find out how much was due them. An advance might answer the purpose just as well. We knew, of course, that a great deal more than that would be due, so that it was a safe advance.

Mr. CARTER. You did not expect to be paid back?

Gen. LORD. No, sir; we simply advanced them something to do business with until the necessary adjustment could be made later.

Mr. ANDREWS. You made it as an advance and entered it as an advance upon the records in your office, knowing that what you had advanced would be less than the amount due?

Gen. LORD. Yes, sir; exactly.

The CHAIRMAN. Who has the final word as to the amount that is due from the War Department to the Bureau of War Risk Insurance—you, as the director of finance?

Gen. LORD. The Auditor of the War Department.

Mr. ANDREWS. I think that is a vital point, and I think if we had in the record this statement that we have already received from the Secretary of War and the Secretary of the Treasury, that one would check right into the other. I think this is a very material point, and I apprehend that on that point we are going to find occasion for more inquiry and for more careful investigation than upon almost any other point.

The CHAIRMAN. It seems strange to me that the auditor had that authority.

Gen. LORD. He always has had it.

The CHAIRMAN. I had the notion that the auditor simply passed on an account as to its correctness.

Gen. LORD. And on moneys transferred to meet the proper demands of the various appropriations.

Mr. ANDREWS. Has the Auditor for the War Department made regular settlements of your deposits of these funds in the Treasury?

Gen. LORD. In the case of insurance premiums, yes, sir; but in the case of allotments, I do not know, but I think not. However, I will elaborate on that as I proceed.

Mr. ANDREWS. I do not want to interfere with your plan of discussion, but I want that point taken into consideration.

Gen. LORD. I want your questions.

Mr. ANDREWS. I do not want to interfere with the plan of your statement.

Gen. LORD. We come to the abstracts of the soldier in the field, and there were finally five classes of deductions to make, classes A, B, C, D, and E. Class A deduction was for the compulsory allotment under this act; class B deduction was the voluntary allotment under this act; class C deduction was the insurance premium for the Government insurance; class D deduction was for the insurance premiums for the private insurance; and class E deduction was for the War Department allotment, which had nothing to do with the Bureau of War Risk Insurance, that being the allotment for Liberty bonds, savings institutions, etc.

Mr. CARTER. Those were all the deductions that could be made, and they were deductions that had to be made?

Gen. LORD. If it was an allotment, yes, sir. Those five allotments were the only allotments that we recognized. In any other way the soldier would have to send the money himself, whereas in these ways we handled the money for him. We prepared an abstract sheet which covered all these allotments—that is, to show the work in the field, and under the agreement with the Bureau of War Risk Insurance, or with its representatives, we provided that the application

for insurance, the application for the voluntary allotments, and their regular form for compulsory allotment should not come to our office, but should go direct to the Bureau of War Risk Insurance, because we wanted to save time.

Mr. ANDREWS. In other words, you insisted, or, at least, agreed on a plan that would leave to the bureau the things that belonged under the law to the bureau?

Gen. LORD. Yes, sir.

Mr. ANDREWS. And you held to the things that under the law belonged to you?

Gen. LORD. Yes, sir. Then, following out that procedure, we agreed to send a signed copy of the abstract, which showed each month by name the amount withheld from the pay of each soldier for his compulsory allotment, for his voluntary allotment, for his insurance with the Government, and for his insurance with private companies. We would get that direct from the field, and it showed that the amount was authoritatively withheld, because it was signed by the officer responsible for the withholding.

Mr. ANDREWS. Was the signed paper sent to the auditor?

Gen. LORD. The signed paper went to the bureau.

The CHAIRMAN. Is this the paper you refer to [indicating]?

Gen. LORD. Yes, sir; that is it.

The CHAIRMAN. This paper is marked "Exhibit B."

Gen. LORD. Under our allotment system, which we had operated for years, we had a double-story card. On the upper part of the card we would make a record of the payment of the allotment—paid by such an officer on such a date, so much money. When the abstract was received in our office from the field, or our class D allotment, which was a War Department allotment, then we would put under it if it was, say, for the month of January, a card that would show the amount paid, the date on which paid, the officer paying it to the allottee, or the soldier's allottee.

Then, as the abstracts came in we would check from the abstracts the amount withheld for the month, the name of the officer who withheld it, etc., so that if it were for \$15 it would be balanced by \$15 there, and so on in the same way month after month. If an abstract should come in that did not show the withholding—

Mr. CARTER (interposing). I think that at this point it would be well, if the chairman is willing, to get into the record a statement showing where this abstract comes from.

Gen. LORD. The abstracts were sent direct by the disbursing officer to the Bureau of War Risk Insurance—that is, by the man who paid the roll and was responsible for taking out the money from the soldier's pay.

The CHAIRMAN. How many copies of these abstracts were there?

Gen. LORD. In this country there were four of them. One always comes through with the money account, and that goes to the auditor. That is the original.

Mr. ANDREWS. I want to know the relationship of them.

Gen. LORD. One comes to the office of the director of finance with the money account. We examine it, and it goes to the auditor with the disbursing account for the money. Another is sent direct to the Bureau of War Risk Insurance, and one is retained in the files or

records. In France all during the war we could not send any with the money accounts, but we provided that a copy of the abstract should be sent to the Bureau of War Risk Insurance, so that there was furnished to them a copy of every abstract that was issued by disbursing officers here in this country or overseas.

Mr. ANDREWS. It was a copy that was furnished to them?

Gen. LORD. It was a signed copy, and we required that it should be a carbon copy, so that it would be an exact replica of the original that goes to the auditor.

Mr. ANDREWS. The one that goes to the auditor is the official document?

Gen. LORD. It is the original one. That is, it is the first type-written copy, and consequently the best copy.

Mr. ANDREWS. It is the document that would have controlling force in case of any legal contention.

Gen. LORD. Yes, sir; that is the only one that is recognized by the Treasury Department.

Mr. ANDREWS. As a matter of law.

Gen. LORD. Yes, sir; as a matter of law.

The CHAIRMAN. Is that the fact, that it is the only one that would be recognized by the department?

Gen. LORD. It is the only one that would probably be recognized by the Treasury Department, and the Bureau of War Risk Insurance is a branch of the Treasury Department.

The CHAIRMAN. Why would not these others be just as good evidence as that copy?

Gen. LORD. They are; but it is the only one that the auditor, who has the final word on whether the payment has been properly made or not, would recognize. The auditor would want to recognize the one that comes with the money account, which is the original, for his decision.

The CHAIRMAN. What I wanted to ask was whether, in case he could not find that particular copy, and he had one of those others, would not one of the others be good evidence?

Gen. LORD. He would accept it.

Mr. ANDREWS. As secondary evidence?

Gen. LORD. Yes, sir; because he has in his possession the roll that accompanies this record. He has the roll on which the soldier is paid. The abstract is only a copy, and he has the original record in his office.

The CHAIRMAN. Suppose the Bureau of War Risk Insurance could not find any evidence other than one of those abstracts of the pay roll? Would they not accept that abstract of the pay roll as evidence?

Gen. LORD. There is no question about that.

Mr. ANDREWS. As secondary evidence?

The CHAIRMAN. I do not know what you mean by "secondary evidence."

Mr. ANDREWS. The best evidence would be the roll that came regularly from the officer who pays the money, and that came to the department with the money account, and that is sent to the auditor for settlement. That is the legal document, and it is the document upon which final settlement would be made and upon which the comptroller, in case any question of appeal should be raised, would rely.

The comptroller would call first for this document that went to the auditor, and if that could not be produced, then one of those other documents, if available, would be used, or it might be accepted in lieu of the primary evidence.

Mr. CARTER. It would be prima facie evidence?

Mr. ANDREWS. Yes.

The CHAIRMAN. Let us get that clear, because I think it is vital. What do you mean, Mr. Andrews, by secondary evidence?

Mr. ANDREWS. I mean this: That stands as the copy that goes to the Bureau of War Risk Insurance and the copy back in the office of the paying officer in the field. Now, if the originals are lost, as sometimes they are, in transit, by reason of a fire, the collision of a train—

Mr. CARTER (interposing). Or lost in the mail?

Mr. ANDREWS. Or, you may say, they are lost in the mail. Suppose the mail burns, as has frequently happened; suppose it happens, as happened in connection with the sending of mail from Honolulu some years ago, on a vessel that went down in the harbor of San Francisco; then the documents back in these other offices, or that had been forwarded to some other office and not on that ship, would be the evidence in the case.

The CHAIRMAN. But it would not have as much weight as the primary evidence?

Mr. ANDREWS. Not as much weight as in the ordinary course of procedure. The document that becomes the final paper would be the one that comes from the paying officer to the War Department and to the auditor for final settlement, upon which credit would be given by the auditor for the disbursement of the money. That would be the best evidence.

Mr. CARTER. Would not this be the case: One would be incontestable and the other prima facie evidence?

Mr. ANDREWS. Well, that is a pretty good way to express it.

Gen. LORD. The original record is the roll, of which the abstract is a copy. That is the primary evidence.

The CHAIRMAN. But you gentlemen keep raising a question here which I think ought to be cleared up. If the abstracts which go to the Bureau of War Risk Insurance are contestable evidence, then they are of lesser importance than the originals. Now, as I understand it, you can not contest one of these abstracts, because if they have an abstract there it is absolute evidence that the insurance or the allotments were taken out.

Mr. CARTER. May I make this suggestion? Would not the abstract be prima facie evidence of such a character—

Mr. ANDREWS (interposing). Not the abstract, but it is the voucher itself.

Mr. CARTER (continuing). That it could only be contested if the original document is not with the case?

Gen. LORD. Yes.

Mr. ANDREWS. If you produce the original document alongside of the other and they do not agree, the original document controls.

The CHAIRMAN. That clears it up.

Mr. ANDREWS. More than that, the accounting officer would be insisting upon the presentation of the original document and would

not accept the other until it is shown that the original document can not be produced; when that is shown, then this other evidence will be accepted, and in that sense it might be called secondary evidence.

Mr. CARTER. Let me clear it up in my own mind. This copy can only be contested by the original?

Gen. LORD. Yes.

Mr. CARTER. I see.

The CHAIRMAN. That makes it clear.

Mr. ANDREWS. Let me call attention to this point, because I think it is material: The Bureau of War Risk Insurance, on this financial statement from the Treasury, does not stand charged with money to its credit on the basis of these documents sent to the bureau; they stand charged primarily upon the record of money deposited and coming to them through the evidence in the division of public moneys and the division of bookkeeping and warrants; and upon the books of the department, when the necessary warrant issues, a debit is entered and the money stands against the bureau, and the bureau has to answer for it. That is where it gets its charge; it does not get its charge on the basis of these copies of abstracts that are sent voluntarily from the field.

Gen. LORD. I think if you will allow me to continue my description of the procedure it will give you a line on the statement you have just made, Mr. Andrews. Reverting to the double card, that was an agreement that was entered into with the Bureau of War Risk Insurance that they would set up a similar method of record in the bureau; that they would put on that card each payment that was made; that they would have a card for each man, each soldier, and they would charge on that card the amount paid in a certain month; then from the abstract as it came in they would complete the record with a statement of the amount withheld from the soldier for that month and the name of the officer withholding it, with any other such data as they thought necessary to complete the story. Now, I understand they did not do that; that is, the abstracts came in from the field as agreed upon, but that they were unable, under the press of business, to make a proper record from the abstracts, and that for some months they made no use whatever of the abstracts. Now, as to the question of accounting for the advances made to the bureau on the request of the Secretary of the Treasury, prior to receiving the record with reference to the withholding of money, we made a charge, of course, on our books that so much money from pay of the Army had been transferred to the credit of the Bureau of War Risk Insurance for the payment of allotments.

As these abstracts came in, we totaled the abstracts and charged those particular abstracts or credited them against the amount that we had advanced so as to keep some tab on that which we really owed them on account of actual withholding; then the abstracts, as we completed the analysis of them, went to the auditor so that the auditor had in his possession—and the auditor's office is a branch of the Treasury Department, the same as the War Risk Insurance Bureau—

The CHAIRMAN (interposing). Excuse me just a minute. Do you not think these ought to be marked and go in as exhibits in connec-

tion with what you say, so that there can be no misunderstanding [indicating]?

Gen. LORD. These have no particular bearing upon this hearing. The card you want is the allotment card in Col. Boschean's office. This is merely the checking up of the abstracts as they go through, and I will file with the committee as a part of this hearing copies of the allotment cards.

The CHAIRMAN. That is all right.

Gen. LORD. They are merely in my office to keep track of the abstracts as they go through and are used in connection with the final working out of the problem. Now, I find from my books that we have transferred to the Bureau of War Risk Insurance \$269,000,000 out of pay of the Army, \$72,000,000 to cover the period from November 1, 1917, to June 30, 1918, and \$197,000,000 to cover the period from July 1, 1918, to June 30, 1919. There has also been transferred to the account of the Bureau of War Risk Insurance \$100,000,000 to cover the premiums for insurance.

Now, this \$100,000,000 was made by a transfer of appropriations by an officer for the War Department making his checkage presumably against the rolls and abstracts submitted to him from the office of the Director of Finance, and making a transfer of \$100,000,000 to cover the premiums. In the case of premiums for insurance there was no need for our making advances, so that we have not done that in the same way that we have made advances to cover allotments, but this transfer is one made by the auditor presumably in pursuance of the plan set up, that as the rolls come in he shall figure how much belonged to the Bureau of War Risk Insurance and make a transfer accordingly.

Mr. ANDREWS. Do you get the settlement notices from the auditor for these amounts that have been covered in? What I mean is this: For instance, you send in, say, \$50,000 or \$100,000, as the case may be; does he give you a settlement notice with reference to the settlement of that account?

Gen. LORD. He would in every case where he had totaled the amount and made the transfer; whether he has been doing it regularly or doing it as he did with the insurance premiums, wait until a certain amount accumulated and then make the transfer, I do not know.

Mr. ANDREWS. But he does make a settlement, as you understand? Gen. LORD. Well, I think so, but my only real information is that he is supposed to.

Mr. ANDREWS. Certainly.

Gen. LORD. And he has done it in the case of the insurance premiums.

Mr. ANDREWS. The only point in my asking that is this: If your office has the settlement notices it will be a very easy matter to locate the record in the auditor's office without consuming time?

Gen. LORD. I will ascertain the procedure that is being followed in that case and insert it in the record.

The CHAIRMAN. How does the Bureau of War Risk Insurance ascertain what is due from the War Department for premiums?

Gen. LORD. Insurance premiums?

The CHAIRMAN. Yes.

Gen. LORD. They do not know how much has been withheld from the soldier and from the officer, only as the auditor gets it from the record itself and makes the transfer.

Mr. ANDREWS. And that goes upon the books of the division of bookkeeping and warrants?

Gen. LORD. Yes.

Mr. ANDREWS. And it is an easy matter to go to the records in the division of bookkeeping and warrants and get that information?

Gen. LORD. Yes.

Mr. ANDREWS. And that is the only way you can ascertain the actual debit standing legally against the bureau?

Gen. LORD. That is right.

The CHAIRMAN. Could not they ascertain that from these abstracts of the pay rolls if they kept a check on these abstracts?

Gen. LORD. They could ascertain it just as we can ascertain our own allotments; they not only can ascertain how much has been withheld in that way but we can tell them that at any time, because we are totaling our accounts and charging them against the money we have advanced them for their allotments. But here is one thing that would also develop and which should be and must be developed, and that is the fact that the money may not have been withheld, because if they are not doing it no one is doing it. Under our system of keeping the allotments we check against the abstract and against the roll itself, and we may find that we have paid for this month of October, but that as the rolls come in later we find the money was not withheld from the soldier for the month of October, probably through the blunder of the officer who made out the roll.

The CHAIRMAN. That is the part I had in mind. How can the Bureau of War Risk Insurance find out what has not been withheld unless it keeps a check on these abstracts?

Gen. LORD. They can not, and it was planned—

Mr. ANDREWS (interposing). And the abstracts are of no value to them?

Gen. LORD. That is right.

The CHAIRMAN. Now, in order that we may get this straight, what did you mean by that, Mr. Andrews, that these abstracts are not of any value to them?

Mr. ANDREWS. I mean so far as the determination of the amount of money that is due the bureau is concerned. The bureau is not in a position to decide that; that is decided—

The CHAIRMAN (interposing). Let me ask a question right there. Perhaps I have not made myself clear about it, but I want in some way to get it definitely into the record of what value those abstracts of the pay roll are to the Bureau of War Risk Insurance? Every time I come up to that somebody injects a question which knocks out what I think is the value of those abstracts. Now, will you state, General, whether or not those abstracts of the pay roll that go to the Bureau of War Risk Insurance are of any value?

Gen. LORD. In the first place, they are of value if they did nothing more than give the total due, because an abstract gives the amount that is carried on the abstract as certainly due the bureau. Again, if the abstracts were properly analyzed and carded they would inform the bureau in all cases where they are paying an

allotment or paying an insurance premium and where money has not been withheld from the soldier or officer.

The CHAIRMAN. Well, now, General, will you tell us whether, from your knowledge of the operations of the War Risk Insurance Bureau, they have kept any check on these abstracts?

Gen. LORD. I do not know and I am not in a position to know, but I do not think they have.

Mr. ANDREWS. May I take this supposition? Suppose the bureau should total on its cards in advance \$100,000 for a given period, according to those abstracts; suppose that when the auditor makes his final settlement and the entry is made upon the books of the Division of Bookkeeping and Warrants there appears to be only \$99,000 on the books. Now, these abstracts that have gone forward to the Bureau of War Risk Insurance would be helpful in pointing out a discrepancy, and in going back to check these records and locating the error; to that extent they would be very helpful, but if it finally appeared that \$99,000 was the amount appearing on the books of the department that would be final and conclusive?

Gen. LORD. That is right.

Mr. ANDREWS. And we would have to stand for that, and even though the total should be \$100,000 upon these advance notices in the office of the bureau, we, as a committee, could hold the bureau to account for only \$99,000, the amount audited and found upon the books of the department?

The CHAIRMAN. Mr. Andrews, is it your contention that these abstracts are not of any value?

Mr. ANDREWS. Oh, no; I do not contend that; they are helpful in guarding against mistakes, and when discrepancies do appear they will be very helpful in going back and tracing the records and locating a mistake and correcting it wherever it may appear, and in that particular they are very valuable, but they will check their books as a finality from the records in the division of bookkeeping and warrants; that is the final record and that is the controlling record.

The CHAIRMAN. From the evidence before the committee, Mr. Andrews, it appears that the Bureau of War Risk Insurance has not paid any attention to these abstracts?

Mr. ANDREWS. Well, that may be; but I did not care to take up the discussion of that point until we hear from the officers of the bureau directly upon that point.

Mr. BEGG. Do you have any way of knowing who took out the premiums? Say that a soldier boy signed for insurance and \$5 or \$5.90—it does not make any difference what the amount it—was supposed to be taken out of his pay. Where was that taken out, General?

Gen. LORD. In the field where the man was paid.

Mr. BEGG. It was not taken out on this side; that is, for a soldier abroad; it was not taken out on this side?

Gen. LORD. It was taken out over there and reported here.

Mr. BEGG. Who took it out?

Gen. LORD. The disbursing officer; the man who paid him on the roll.

Mr. BEGG. The man who paid him?

Gen. LORD. Yes, sir. The form is just this: A soldier gets \$30 a month and if he is overseas \$33, \$3 additional for his foreign serv-

ice, and there is to be charged against him a \$10 insurance premium. The commanding officer—

Mr. BEGG (interposing). Who would that be?

Gen. LORD. In the case of a regiment it would be the personnel officer or if he were a private in a battery of field artillery it would be the battery commander. He sends the necessary information up to the personnel officer and the personnel officer makes out the roll, and he shows on the roll that the total pay due the soldier is \$33; he charges him with a \$10 insurance premium and if there is no other charge the man gets \$23. The officer who pays him, the disbursing officer, when he completes his roll and sends in his money account, makes out an abstract and that abstract shows that this soldier, whatever his name may be, had taken from his pay for the month of July, if that is the month in which he was paid, \$10 for an insurance premium. That abstract goes direct to the Bureau of War Risk Insurance.

Mr. BEGG. Does the same man who takes this allotment out or this insurance premium out make up the pay roll?

Gen. LORD. He pays the pay roll.

Mr. BEGG. Who makes up the pay roll?

Gen. LORD. The personnel officer; ordinarily the personnel officer of the regiment, on information furnished by the man's company commander or his immediate commander.

Mr. BEGG. There would be no chance for dishonesty there unless the disbursing officer and the personnel officer were in collusion, would there?

Gen. LORD. There must be connivance between the two; but there could be a blunder, of course.

Mr. BEGG. I understand that; but the point I wanted to establish was whether there was a check on that so that a man, if he were so inclined, might take it out and keep it?

Gen. LORD. No; the soldier himself has nothing to do with it; the money never gets into his hands.

Mr. BEGG. Just how can the War Risk Insurance Bureau determine to whom insurance is payable?

Gen. LORD. That is their own procedure. They have fixed laws and regulations which cover that.

Mr. BEGG. Now, one other question, and this may not be within your jurisdiction at all. It goes back to those abstracts. I have heard the various statements regarding the value of those abstracts, and I would like to ask what other means than the abstracts the bureau has of knowing to whom insurance is paid or is to be paid?

Gen. LORD. The abstract does not give any information as to whom it is to be paid.

Mr. BEGG. Does not the abstract contain the fact that a deduction has been made for the purpose of insurance?

Gen. LORD. Yes; but merely the fact that an amount has been deducted on account of insurance.

Mr. BEGG. That would be evidence that a man was insured?

Gen. LORD. Yes, sir. In the Bureau of War Risk Insurance they have a form of application or a card which is filled out by the soldier and signed by the soldier, and in that he gives them the necessary information as to whom the insurance or the allotments for his family should be paid.

Mr. BEGG. But some of those seem to have been lost; some of those signed applications seem to have been lost.

Gen. LOMB. Yes.

Mr. BEGG. And quite a great many of them?

Gen. LOMB. Yes. We have had some trouble with our allotments and some of them we never received, and then the assumption was that perhaps a ship was sunk in bringing them over or that they were destroyed in the mails over there.

Mr. BEGG. Suppose a boy had taken out insurance but his application had been lost? How could he establish that?

Gen. LOMB. I had an interesting case before the War Risk Insurance Bureau, but on which I never got a satisfactory decision. I know the principle involved in this war-risk act; it was to give these men insurance; not only that, but that we should look out for their families in order that they could be relieved of every anxiety, and that they should have the satisfaction, when they went into a fight, of knowing that their dependents were provided for. So it has been my contention all the way through that it was only necessary for the Government to know that these men wanted insurance.

Mr. BEGG. I quite agree with you.

Gen. LOMB. A case was brought to my attention by Senator Chamberlain, that of a young man who wrote from a hospital—he had been wounded—stating that he had taken out \$10,000 of insurance; he said \$1,000 to Aunt Kate, \$1,000 to Aunt Mary, and \$8,000 for you; that was to his widowed mother.

Well, they could not find his application anywhere, although he stated he had taken it out that day. Notwithstanding the fact that his application was lost I believed that if we could have a show down we could get a satisfactory adjustment of the case, and I sent a man from my office to go up and plead the case before the Bureau of War Risk Insurance, the suggestion to be that his letter, the original, or a photostat copy of it, should be sufficient evidence on which they could act and give the mother the \$8,000, the other two being outside the accepted classes. And I think they were disposed to do that, to accept that, just the statement of the soldier over his own signature that he had applied for insurance. However, unfortunately, or fortunately, it was not acted upon because before they reached a decision they found his application. Now, I have another case up in which I am making the same contention, and it has the indorsement of Senator Chamberlain, who has been greatly interested in this war-risk insurance, and my contention is that if we can establish the fact that the man made an attempt to take out insurance his beneficiary should have it.

Mr. BEGG. The question I was going to ask was, Have you made any such contention and been turned down?

Gen. LOMB. I understood that before finding this application the Bureau of War Risk Insurance had decided adversely on my recommendation.

Mr. BEGG. And you have not made inquiry as to the reason why they refused to accept it?

Gen. LOMB. I did not, because we had another case on hand in which we were getting additional information and which we will present so as to have that point definitely established.

Mr. BEGG. Would the War Department accept as conclusive evidence a letter written by a soldier boy while he was in good health to his people back home to the effect that he had taken out \$10,000 of insurance if that boy had been killed and there was no other evidence than the letter written previous to the action in which he was killed? Would the War Department be inclined to take that as prima facie evidence, without anything further, that he had taken out the insurance?

Gen. LOMB. That claim we would have paid, provided we had had the same authority that the Treasury Department has to decide a question of that sort yes or no.

Mr. BEGG. Just what is the difference between the authority of the War Risk Insurance Bureau and the authority of the War Department to decide these claims?

Gen. LOMB. We have no authority to decide them. It does not affect us one way or the other from the financial standpoint. The decision affects their disbursements and not ours.

Mr. BEGG. The War Department, however, is the department charged with the records of the men; is not that true?

Gen. LOMB. Yes, sir.

Mr. ANDREWS. From the military point of view?

Gen. LOMB. The military records of the men; but we are not charged with all of the records, because we keep no record of the application for insurance, or of an application of any sort on the Bureau of War Risk Insurance.

Mr. BEGG. You keep none?

Gen. LOMB. We have none of those records.

Mr. BEGG. Then, you have in the War Department no way of telling whether a man took out insurance, made an allotment, or anything of that kind?

Gen. LOMB. Only as the amount withheld is shown on the roll.

Mr. BEGG. How do you know whether to take it off or not?

Gen. LOMB. The record is made by the soldier's immediate commanding officer, who is responsible for the correctness of the data entered on the roll which he furnishes to the personnel officer of his organization to make out the roll. Before making out the roll he is supposed to have very complete information in the field.

Mr. BEGG. You say they are supposed to have it. Do they have it or do they not have it?

Gen. LOMB. They do have it.

Mr. BEGG. How was that information communicated to them, in writing?

Gen. LOMB. The application was made out under the direction of the officer.

Mr. BEGG. In what form did the commanding officer get information as to how he should proceed in making the application? Was it in writing, or an order?

Gen. LOMB. It was covered in writing or personal instruction in the field. The Bureau of War Risk Insurance sent out many insurance workers and workers relative to the compulsory allotment. They had a field force which was established overseas, operating here, there, and everywhere.

Mr. BEGG. Would you think there was any excuse for a commanding officer to say that he did not understand what he was to do with these applications after he had received them?

Gen. LORD. The only excuse that he might have would be that under the pressure of the campaign, under pressure of actual operations in the field, or under pressure at the fighting front, everything of this kind was secondary.

Mr. BEGG. If he were not out on the battle field, but if he were on this side, you could see no reason why he should not understand the orders?

Gen. LORD. I do not.

Mr. BEGG. Any man that was in a commanding position ought to have sufficient intelligence to understand them?

Gen. LORD. Every effort possible was made, not only by the Bureau of War Risk Insurance but by the War Department and the Navy Department, to give not only to the officers themselves who were over the men, but to the men themselves the most complete instructions.

Mr. BEGG. Do you have any knowledge that any commanding officer failed to return these duplicate or triplicate sheets according to instructions?

Gen. LORD. I do not know personally, but I have been notified by the Bureau of War Risk Insurance of one particularly flagrant case where the whole records of a division were, I think, made out on this side and carried overseas, and they were sent back from over there.

Mr. BEGG. Those applications were made in triplicate?

Gen. LORD. Originally they were made in triplicate or duplicate. I think the first instructions were that they were to be made in triplicate, and then, afterwards, they were made in duplicate.

Mr. BEGG. That is immaterial, so far as I am concerned, or so far as my questions are concerned. Whether they were made in triplicate or duplicate, do you have any knowledge of any commanding officer who has kept both or all three of them?

Gen. LORD. No, sir; I have not heard of that. We do not handle those applications at all. None of them come to us.

Mr. BEGG. You have no information as to how many applications for insurance failed to show up?

Gen. LORD. No, sir; but I infer that there was a good many because of the experience we had with our allotment form. Hundreds of them that were properly made out have never been received. Some of them came in months afterwards. It was the same way with our Liberty bonds, or we had the same trouble with the allotments for Liberty bonds. Hundreds of them we never received.

Mr. BEGG. Does your department handle Liberty bonds?

Gen. LORD. Yes, sir; we had charge of the sales of Liberty bonds in the Army all through the war, and, incidentally, we sold more than \$250,000,000 of the five issues of bonds in the Army.

Mr. BEGG. I do not want to change the line of questioning, but I wish later to ask you some questions about Liberty bonds.

Mr. ANDREWS. General, suppose your office, or the War Department, entertained the view that a certain soldier was entitled to insurance, and the Bureau of War Risk Insurance held the opposite view, it being a candid difference of opinion upon the basis of the

records. If the bureau should decide in the negative would that decision of the bureau be final and conclusive upon the War Department as to the granting of the insurance?

Gen. LORD. There would be nothing else to do. We have no voice in that matter.

Mr. ANDREWS. The question of granting insurance is one that has been legally assigned to the Bureau of War Risk Insurance?

Gen. LORD. Yes, sir.

Mr. ANDREWS. And not to the War Department?

Gen. LORD. We have no voice in it at all.

Mr. GARLAND. I understand that the abstract you referred to is made up in part at least from the pay roll?

Gen. LORD. Altogether from the pay roll.

Mr. GARLAND. Is it true that in a number of instances the pay rolls were lost?

Gen. LORD. I do not know of any case of pay rolls being lost. All during the war the pay rolls were kept overseas, and we did not get them here. So far as my own office is concerned, I have had no case brought to my attention where a pay roll has been lost.

Mr. GARLAND. The immediate officer, you say, has charge of the pay roll, or at least charge of the settlement as to the soldier's right to pay, etc. Now, in a number of instances it seems that they were not paid for four months, and in some cases not for five months.

Gen. LORD. And in some cases it was even more than that.

Mr. GARLAND. And you say that the immediate officer in a number of instances was killed. In a case where all of the immediate commanding officers were killed, so that there was no immediate officer to certify to their right on the pay roll, what would happen?

Gen. LORD. There was one particular case where the train which was carrying an organization's baggage was destroyed, or a number of the cars were destroyed, and the records of the whole organization were destroyed. It was necessary then to come back here to The Adjutant General's Office and get copies of the originals, or get the originals from which to make up new forms. The most flagrant and the most grievous case of failure to pay that ever occurred over here was in the case of the arrival of casualties, or wounded and sick, from the other side. They began arriving in July and August from overseas, and some of them had not been paid for 10, 11, and even 12 months. My attention was first called to it by the statement that out here at Walter Reed that there were 500 or 600 of these casualties, or wounded and sick, and that a great majority of them had not been paid for several prior months. It was stated that they had no records of any sort or no papers.

I sent an officer out there, I think, the first week in August, and I found that that was true. Some of these men had not been paid for six or eight months, and some of them did not have any papers at all. We took the names, or got the names from the serial numbers on the tags. They did not know their organizations. The case was so urgent and bad, and being right here in the shadow of the Capitol, that I sent an officer out there with instructions to get affidavits from those men as to the amounts owing them and as to the amounts that they owed for insurance premiums, for compulsory allotments, if they had any, and for the other allotments, including Liberty bond

allotments, etc. They gave those affidavits that were made out in my office, and from that information we worked out a roll of those 500 or 600 casuals, and I certified to it as correct and we paid them every penny that they said belonged to them. By this time they were beginning to come in from the various ports and hospitals, I went before the Senate Committee on Military Affairs about another matter, and I told them what I had done in this case. They said, "That is what you should do, and we will stand by you in it." I then immediately prepared instructions for officers at all stations where those men were located to take the affidavits of the men and pay them accordingly. Of course, there is no section of law authorizing that.

Mr. BEGG. I do not think you needed it.

Gen. LOMB. I went to the Chief of Staff with it, and he approved it. Then on July 11, the Army appropriation bill was passed sanctioning that proceeding, and making it retroactive. That is all that saved our disbursing officers from bankruptcy, because every payment of that sort was illegal. In the matter of financing the Army during the war, I think they needed nerve specialists more than financiers.

Mr. GARLAND. In the cases that came under my observation, there were some convalescents coming out of the hospitals. They were Pennsylvania boys, most of whom I knew, but I had not seen them since they came back. I presume that they did get their pay, but I do not know. At that time they had not, and I was wondering how you proceeded in a case of that kind where there was no officer to certify that they were in the service at that time, because they were carried away to hospitals and their officers were killed and others took their places.

Gen. LOMB. We attempted to solve that problem further by giving each soldier what you might call a pay book, outside of the service record, which was left with the baggage. The men in the organizations fought by day and traveled by night, and they might be 50 miles away from the records to-day and 100 miles away to-morrow. If a man was wounded, he would be evacuated through these hospitals, and would finally get back over here, and never at any time be in touch with his records. Therefore we prepared a pay book, showing the amount of the last payment, with a full military history of the man, and that pay book had a little oil cover, so that it would not be affected by the weather. We thought that would solve the problem; but when they went into a fight they threw away everything except their fighting tools, and that did not help us at all. We did the same thing over there, and to meet that condition we sent instructions over there to pay the soldier on his affidavit.

Mr. CARTER. General, I want to find out just how your pay rolls are made out and how the money is transmitted to them overseas. What is the first step taken to get money over for a certain regiment?

Gen. LOMB. We had a great problem over there, or a finance problem.

We succeeded in having three branches of banks in this country make national depositories—the Guarantee Trust Co., the Farmers' Loan & Trust Co., and the Equitable Trust Co. They were made national depositories. We gave to the Guarantee Trust Co. all quartermaster funds to handle and divided the balance of the funds among the other two trust companies. We established a credit in

those banks, so that an officer in the field could draw on a tentative credit in those banks. We never gave them actual credit, because we found when we first started over there that there were tied up in the hands of these disbursing officers in the field hundreds of millions of dollars. Now, every disbursing officer, particularly a man having the payment of troops, is going to play safe and get as large an amount of money in his possession as he possibly can; if he thinks he is going to need \$100,000, he will ask for \$150,000, in order to meet any emergency that may arise; and as we materially increased the number of disbursing officers, the amount of money carried by them became a serious burden on the Treasury, and we remedied that by having one central transfer officer over there, and we put all the funds in his possession and providing for the keeping of them in the French Treasury, so that a disbursing officer drawing on the Guarantee Trust Co. was only given a tentative credit.

At the end of a month he would say he needed approximately \$100,000 for the succeeding month and we would notify the Guarantee Trust Co. to honor that man's draft for a sum not to exceed \$100,000 in that month; if at the end of a week he had used \$25,000 they would notify the central requisition officer and he would take up those checks and give them the \$25,000, and we kept that plan going.

Mr. CARTER. So that it was necessary to permit an officer overseas to make a draft on your branch of the service without any evidence whatever as to the accuracy of the amount that he was drawing?

Gen. LOMB. He had reported from the field the amount he needed. Ordnance, for instance, would submit to him the prospective amount of their needs.

Mr. CARTER. I understand that, but you did not catch my question. I mean you had no evidence as to the accuracy of the amount he was drawing, but you simply had to take his word?

Gen. LOMB. We honored his calls.

Mr. CARTER. You would take his word as to what he thought was necessary?

Gen. LOMB. Yes.

Mr. CARTER. Tell us just how he got his estimate as to the amount he thought he would need.

Gen. LOMB. The various branches of the service would call on him to meet their needs and the various disbursing officers would state the amount they would need. Suppose it was at the present time and the estimate was for the month of November; Ordnance would make its estimate and then they would send it in to this financial requisition officer, as we finally called him, and the quartermaster the same, the Air Service the same, and so on.

Mr. CARTER. Who made the estimates—the company commander? Gen. LOMB. No; the representative of the ordnance officer would make his estimate to the disbursing officer as to the amount they would need; they would estimate, under the contracts they had, the probable amount of the demands to be met in that month.

Mr. CARTER. State how far down they would go to get that estimate.

Gen. LOMB. They would go down to the last disbursing officer.

Mr. CARTER. And would that be the company disbursing officer?

Gen. LORD. No; they do not have a disbursing officer. We had certain disbursing officers for certain districts, and one officer would have a number of those things under him.

Mr. CARTER. The district disbursing officer was the first disbursing officer that had anything to do with it, was he not?

Gen. LORD. Not necessarily. At Bordeaux we might have representatives of all the various bureaus, and, you see, there might be an ordnance disbursing officer there, although the ordnance disbursing officer, presumably, would be in Paris, while the quartermaster's officer was at Tours. Now, Col. Eckels, the chief disbursing officer, or the chief finance officer of the quartermaster, would call on all of his disbursing officers everywhere.

Mr. CARTER. Who was the lowest disbursing officer?

Gen. LORD. He would be the man in the field paying troops.

Mr. CARTER. How many men would he have anything to do with?

Gen. LORD. He might have a brigade or he might have a division.

Mr. CARTER. But never less than a brigade?

Gen. LORD. One man might be called upon to pay no troops at all, but might be settling for supplies.

Mr. CARTER. Where did this disbursing officer get the information on which he made up his estimate?

Gen. LORD. He was in charge of the field and he was supposed to know approximately the demands to be made upon him; he would know that he was assigned so many troops to pay, and if it was a brigade he could figure very closely how much pay of the Army he wanted; and if he had contracts, he would know what the probable deliveries would be under those contracts and as to the amount that he would be called upon to pay for supplies.

Mr. CARTER. I did not want to confuse the pay of supplies with the pay of the soldiers. The thing I want to get at is, who makes up the first information that is furnished the War Department on which the pay of the soldier is made?

Gen. LORD. Of course, the pay of the soldier is fixed. Do you mean the amount to be furnished?

Mr. CARTER. Yes.

Gen. LORD. That goes over there, and we furnish one appropriation for all purposes. In the first year over there we gave them the pay of the Army, and the ordinary procedure would have been to have furnished each disbursing officer with some 15 or 20 different appropriations and so much under each; that would have necessitated his cabling the office for so much under each appropriation. Now, however, we have changed that; we only gave him one appropriation and said, "You pay everything out of that; voucher it properly and then the auditor will make the necessary adjustments."

Mr. CARTER. I want to find out just how far down that information went if I can possibly do it. Somebody, in making an estimate, must figure how much money is coming to this or that regiment or company, brigade or division; how much must be deducted for allotments, for Liberty bonds, and for other things if those deductions are made. Now, who makes the first paper in connection with that?

Gen. LORD. The disbursing officer assigned to a specific district for the payment of the troops therein.

Mr. CARTER. He makes the first figures on it?

Gen. LORD. Yes.

Mr. CARTER. How can a disbursing officer tell how much to deduct from each one of the privates and noncommissioned officers in his district?

Gen. LORD. He could only tell approximately, although he could figure very readily how much a regiment of Infantry would cost, and he could make an estimate that a certain percentage of them will allot, and after paying them once he would know pretty nearly what the allotment would be. But the estimate was never very close, and that is the reason we resorted to that system. Under that system he would say he would need \$100,000 or \$150,000, and it really did not make any difference what the amount might be, because he was not given an actual credit; his credit was really determined when his checks came in. Just what you have in mind—the wideness of the estimates and the lack of close approximation, thus throwing heavier burdens on the Treasury in furnishing money, caused us to resort to that system.

Mr. CARTER. If I understand you correctly, he made his estimate before he had any information whatever from the company commanders or regiment commanders?

Gen. LORD. No; he would never go to the company commanders.

Mr. CARTER. And he based his estimates on percentages?

Gen. LORD. Yes, sir.

Mr. CARTER. Rather than upon actual figures?

Gen. LORD. Yes, sir.

Mr. CARTER. And perhaps he never saw the pay roll, etc., until he came to actually pay the money?

Gen. LORD. Until he went to the table to pay the money out.

Mr. BEGG. I understand you to say, General, that disbursing officers paid salaries and paid for supplies, did I understand you correctly?

Gen. LORD. Yes, sir; paid everything.

Mr. BEGG. They paid for supplies that were to be acquired?

Gen. LORD. Everything that was bought for the Army.

Mr. BEGG. What was the character of the supplies? I was under the impression that in the field they paid for nothing; that they requisitioned for so many guns, so many shoes, so many gas masks and so many of anything they needed but that no money was paid. Am I right on that?

Gen. LORD. That was largely the condition over in France, but it might be that a regiment was away or an organization was away from its base of supplies and might be thrown upon the resources of the country; might, for instance, have to buy hay or oats for its animals or might have to buy some green stuff for the men, which they are always authorized to do. Then the disbursing officer with such an organization would pay for such things as that.

Mr. BEGG. But it would be the exceptional supplies that might be needed. If they wanted five aeroplanes and they were getting French aeroplanes the disbursing officer would not pay the French Government or the French manufacturers, for those five aeroplanes?

Gen. LORD. No; that would all be handled in Paris.

Mr. BEGG. Through other departments?

Gen. LORD. Yes. The disbursing officers with the troops paid for nothing of that sort over there and only made expenditures under the circumstances I have related, and the actual expenditures made in connection with the operations of troops in this country are comparatively small, although if troops would go out for some sort of a maneuver and they needed some things in the community like hay, oats, and green stuff, they would be purchased by the disbursing officer with the particular organization.

Mr. BEGG. I am going to assume that A, B, and C are disbursing officers, A at the top, B below and then C below B, all being in a similar unit. Now, C makes his estimate to B and then B collects the various C estimates and makes his estimate to A, and the question I want to ask is what check the War Department has on those estimates?

Gen. LORD. No check.

Mr. BEGG. It is up to the man?

Gen. LORD. It is up to the representative of the War Department in the field, but the only harm resulting from that is the excess of dead money in the hands of the disbursing officers, but which we remedied by not giving them any real credit but only a credit for their checks as they came in.

Mr. ANDREWS. In other words, you dealt with them on the basis of a sight draft?

Gen. LORD. Exactly.

Mr. ANDREWS. And you honored it when it came in in order to avoid carrying these large balances?

Gen. LORD. Yes, sir.

Mr. BEGG. The only thought I had in the matter—and I appreciate that the emergencies of war can not be compared with dealings in private business—was whether it was purely a matter of the honesty of these men and their business judgment combined?

Gen. LORD. Honesty did not enter into it, because they are accountable; they are bonded officers, in most cases, and accountable for every penny they pay out; they must render a voucher for everything they expend and account for the balance.

Mr. BEGG. Suppose they should render a voucher for a sum of money paid to John Smith for digging a sewer in some place, or just anything, it does not make any difference what, or for 100 tons of hay, and they never bought that hay and John Smith was a fictitious character. Do you have any check on such a proposition as that?

Gen. LORD. Yes; you have got to have two officers conniving, the one who prepared the voucher and the other the disbursing officer, but under the present organization we have an independent audit.

Mr. BEGG. Then you do have that check?

Gen. LORD. Yes, sir.

The CHAIRMAN. May I ask you right there: Have there been any instances in which a bonding company has had to pay for the defaulting of any officer?

Gen. LORD. No, sir; I do not know of any cases where it has gone as far as that. I have now before the Inspector General the question of reporting to me how many cases of embezzlement of disbursing officers he has had under review or under inspection, as well as

minor offenses, but I have not yet received his report. However, some months ago I asked him about it and I understood him to say there had not been over one dozen involved, and it does seem rather extraordinary that with the great amounts of money handled by disbursing officers we have had no more cases of trouble than that, because we had to take these young officers as they came in. If we found a man had been a cashier in a bank we turned him loose disbursing money, and it has been a most agreeable surprise to me that we have had no great defalcations in connection with the disbursements; not one has really been uncovered.

Mr. BEGG. General, a Wall Street member of the stock exchange told me, in the presence of another gentlemen, that a man had made the statement that in the placing of war contracts in one year he had made a profit of around \$450,000—I forget the exact amount—and that for every dollar he made, a major in the United States Army made one. Now, the question I want to ask you is this: Does the War Department have such a check on the placing of contracts that they could check that up and catch it?

Gen. LORD. Under the system that has prevailed in the War Department from time immemorial each bureau has had control of its own funds, has made its own contracts, procured its own supplies, and paid its own bills, violating thereby a fundamental principle of good finance and good accounting, and that is that the agency that obligates should not have control of the agency that pays—that is, that the contracting agency should be so divorced from the settling agency as to make an independent audit.

Now, that condition obtained all through the war, until, as the result of the necessities growing out of the war conditions, there was created an independent finance organization with a director of finance at its head. That organization to-day is an independent organization and just as much an organization as any of the other bureaus of the War Department, except that it is an emergency organization and will terminate six months after the rescinding of the Overman Act unless it is given statutory authority to live. At the present time those contracts to which you refer, if they were purchase and storage contracts, would pass through the branch of Contract Review in the Office of the Director of Finance before such contracts would be put into effect. Before the people are paid under those contracts, the vouchers must be submitted to the disbursing officer or finance officer, who has no connection with and who is not under the control of the men who made the contract.

Mr. ANDREWS. How about the penalty of the paymaster's bond as compared with his maximum credit?

Gen. LORD. It is not worth considering. He disburses millions and hundreds of millions of dollars, and his bond in no case, I think, is over \$10,000.

Mr. ANDREWS. There is a rule that the Federal Government has carried out throughout its whole history that would be perfectly amazing to men who have considered the question of bonding officers by States and counties. For instance, take the Treasurer of the United States, who handles billions of dollars under a bond of \$150,000. It is not uncommon for a disbursing officer in the Treasury Department, Interior Department, or any other department, to have

maximum credits ranging from three to four, or five million dollars, and yet be under a bond of only \$50,000.

Gen. LORD. The disbursing officer in my office in Washington disburses \$50,000,000 on railroad accounts alone monthly.

Mr. ANDREWS. Do the Regular Army officers who are paymasters give bond?

Gen. LORD. Pay officers who are appointed quartermasters are required by the law to be bonded. Engineer officers are not required by the law to be bonded.

Mr. ANDREWS. But they may disburse money?

Gen. LORD. They do disburse money.

Mr. ANDREWS. So that the case to-day is that the honor of a man who is an officer in the Army stands as his bond.

Gen. LORD. My belief has been, and it is the same belief expressed by the Comptroller of the Treasury, Judge Warwick, that we would be better off without this trouble of bonding officers in these ridiculously small amounts. It throws a great burden upon the office force in getting these men bonded so as to start them paying. There is sometimes delay, which prohibits the men from making disbursements when those disbursements are urgently needed.

Mr. ANDREWS. Those were the exigencies of the war?

Gen. LORD. Yes, sir.

Mr. BEGG. If an officer absconds, he is subject to court-martial?

Gen. LORD. Yes, sir.

Mr. BEGG. And a very severe penalty?

Gen. LORD. Yes, sir. The amount of the bond never protects the Government.

The CHAIRMAN. You would not place an Army officer on the same basis with a man in civil life as to the bond required for the faithful performance of his duties, would you? You would not expect him to be considered on the same basis, would you?

Gen. LORD. No, sir. My belief has always been that if it is necessary that a man should be bonded, he should be bonded in a sufficient amount to really protect the Government, and that the bonding should be done by the Government.

Mr. ANDREWS. It resolves into this proposition: If in some of these cases where there is a large credit and a small bond, the officer should be required to furnish a bond to cover his maximum liability, you would tax him out of existence?

Gen. LORD. Yes, sir; exactly.

Mr. ANDREWS. That would mean that the Government must pay the premium on the bond, or take its risk on small bonds to cover only minor matters?

Gen. LORD. Yes, sir.

Mr. ANDREWS. It would resolve itself into that proposition?

Gen. LORD. Yes, sir.

Mr. BEGG. You said awhile ago that you did have some information regarding the number of disbursing officers who had embezzled funds. When you get that information, will you file it with this committee?

Gen. LORD. If you like, I will put it in this record, if I get it in season.

Mr. BEGG. I would be glad for you to do so.

Gen. LORD. I was somewhat surprised in talking it over with him. I understood him to say some months ago that it was about a dozen, and that most of them involved insignificant or comparatively small things.

The CHAIRMAN. There is one thing I want to inquire about before you stop, and that relates to the final settlement for the deductions from the pay. Now, is that settlement made between the Treasury Department and the War Department independently, or the Bureau of War Risk Insurance?

Gen. LORD. It is made by the auditor.

The CHAIRMAN. The point I was trying to get at was whether it was made between the Treasury Department and the War Department independently or with the Bureau of War Risk Insurance.

Gen. LORD. It is made by the Auditor for the War Department, who is a representative of the Treasury Department. The final settlement must be made by the transfer of funds by the auditor, as he has done in the case of insurance premiums, and if he has not done it in the case of allotments, he must finally do it. That is the only real adjustment we can have.

The CHAIRMAN. Then, what becomes of the matter of the failure to make deductions?

Gen. LORD. As stated at the beginning, when that arrangement was entered into the War Department stated that when the Bureau of War Risk Insurance had developed the fact that a deduction had not been made for any month, or any number of months, on the notification of the War Department by the Bureau of War Risk Insurance, the War Department would go into the field and make the necessary collection.

Mr. ANDREWS. How would the Bureau of War Risk Insurance ascertain that fact? How could they tell that the amount covered by the abstract had been covered into the Treasury?

Gen. LORD. As to the amount covered into the Treasury, unless it was on the abstract, it could not be covered into the Treasury. It could not be done unless it was on the roll.

Mr. ANDREWS. If the abstract the Bureau of War Risk Insurance receives is a correct reproduction of the abstract that the auditor receives, then the auditor would have those names on the abstract on which he settled.

Gen. LORD. Yes, sir. There are two sources of failure to get proper deduction for the allotment or for the insurance premium. In the first place, for some particular months the personnel officer might not show it on the roll. The disbursing officer, when the roll was presented to him and he came to make payment would have no occasion to know that there was an omission, and so he would not take it out of the soldier's pay. Then it might be charged on the roll and the disbursing officer in reporting the abstract might not make a correct copy from the roll. In that case the deduction would actually be made, but the bureau would not have a record of it.

In one case, if they had been able to record the abstracts and make the use of them originally intended under the arrangement agreed upon, then they would have found that for that particular month there was no deduction made in that case. Then they would call upon the War Department, and we would investigate and find

that there was a deduction, but that it had not been given in the abstract. We would notify them that the officer had really taken it out, and then they could complete their card. In the other case they would report to us, and we would go to the field and find that it was not entered on the roll. In that case the soldier would owe the deduction for that month. It would be charged against him next month, and the Bureau of War Risk Insurance would get it on the subsequent abstract showing that a double amount had been deducted to meet the lack of deduction in the previous month.

Mr. ANDREWS. Is it not the duty of the Auditor for the War Department to make sure that proper deposits have been made?

Gen. LORD. The auditor can only accept the roll.

Mr. ANDREWS. As it comes?

Gen. LORD. Yes, sir.

Mr. ANDREWS. What facilities does the Bureau of War Risk Insurance have in ascertaining whether deductions have been properly made or not in order that liability may be lodged with the bureau to see to it that the proper deductions are made?

Gen. LORD. The abstract and the records in the auditor's office, or the roll.

Mr. ANDREWS. Then it would be possible by a comparison of the copy of the abstract received by the bureau with the original records in the auditor's office to discover the facts?

Gen. LORD. Yes, sir.

Mr. ANDREWS. Then it would be for the War Department to call attention to that fact and go back and make the collection?

Gen. LORD. Yes, sir; to make the collection when called to their attention.

Mr. BEGG. Right along that same line I want to ask a question, if I may. Do these boys get the actual money or do they get checks when they are paid in the field?

Gen. LORD. Money.

Mr. BEGG. Suppose that a premium has not been deducted or that a boy is getting \$53 instead of \$25 and the boy keeps it.

Gen. LORD. And spends it?

Mr. BEGG. Yes, and spends it. Is that chargeable against the boy?

Gen. LORD. The next month we will take it out.

Mr. BEGG. Suppose he is killed before the next month?

Gen. LORD. Then it will be taken out of his final settlement.

Mr. BEGG. But it will not act as evidence that he did not have insurance?

Gen. LORD. Oh, no.

Mr. BEGG. If that should happen three or four months continuously it would not be held against the soldier as having taken out no insurance?

Gen. LORD. No. However, that is a matter to be decided by the Bureau of War Risk Insurance, and I think they have decided that that does not in any way destroy the fact that a man holds insurance.

Mr. BEGG. It is not held, then, that that invalidates the insurance claim?

Gen. LORD. That is right.

The CHAIRMAN. Has there been some controversy between the War Department and the War Risk Insurance Bureau as to these abstracts we have been talking about?

Gen. LORD. I do not know of any, and it has not been called to my attention. In what way?

The CHAIRMAN. Well, perhaps I might be a little more specific in my question. Has there been any suggestion to you, by correspondence or otherwise, that the Bureau of War Risk Insurance has ignored these abstracts and, in fact, that they have purposely ignored them?

Gen. LORD. It has not been called to my attention, but I have known very generally that they have not utilized them; but at the start the reason for it, as stated to me, was that they hoped to get them up, but in the press of work, lack of space, and lack of sufficient personnel they were not able to handle them. There is no question about our intention of sending them there, because it was agreed with the representatives of the Bureau of War Risk Insurance that that would be the procedure followed.

The CHAIRMAN. Do you recall any statement or any letter that has come to you from Col. Beckham in that matter?

Gen. LORD. No; I do not recall any. In the past months the matter of allotments has been handled almost exclusively by Col. Boschean, who is at the head of the Zone Finance office here in Washington. He is actually doing business with the Bureau of War Risk Insurance, and he has in the Bureau of War Risk Insurance a little bunch of his people—seven, I think, in all—who are located there for the purpose of handling the business between the two—a liaison activity—so that he has almost exclusively handled those matters; and if what you refer to is something of comparatively recent date, he might have some such statement, and I will interview him after leaving here and if that has come up in the discussion and he has something of that sort, I will introduce it into the record, if you would like to have me do it.

The CHAIRMAN. I refer to something that came up in April, 1919.

Gen. LORD. I do not recall it.

TESTIMONY OF MR. WILLIAM MACFARLANE, ACTUARY WAR RISK INSURANCE BUREAU.

(The witness was sworn by the chairman.)

The CHAIRMAN. You started to make a statement a while ago in connection with what Gen. Lord was saying. Will you please make it to the reporter at this time?

Mr. MACFARLANE. The statement was made by Gen. Lord that a man had written home saying that he had applied for insurance, but no application was found in the Bureau of War Risk Insurance. Under such circumstances the bureau would immediately attempt to get a record or checkage from the pay roll, and if the man in his letter had nominated some one as his beneficiary that would be indicative of the beneficiary he had nominated in his application, and we would accept that. We might, as a precaution, have the man fill out certain forms to show to whom the insurance would go if no beneficiary had been nominated. The war-risk insurance act says that the insurance shall be granted upon application. Of course, we can not take statements made in a letter unless they are supported by some other evidence, because we have letters on record written

home by men saying they had taken out insurance when, as a matter of fact, they had signed a form saying that they did not want insurance.

The CHAIRMAN. Would you follow that procedure if there were no deductions from his pay?

Mr. MACFARLANE. Well, you mean if a man had died before any deductions could have been made, or if no deductions had been made?

Mr. BEGG. Say he had lived four months in actual service, had been paid his full salary, but no deductions made, and he was then killed, although there was a letter or two that he had written to his mother saying he had taken out \$10,000 of insurance and he made her the beneficiary, and asked her if she had received her certificate, and so on—things of that kind—would that be bona fide evidence in your department?

Mr. MACFARLANE. I would not like to make a general statement, for the simple reason that Congress, in H. R. 8778, recognized that situation and took care of the matter for a period of 120 days.

Mr. BEGG. Suppose he did not die within that time, but within 180 days?

Mr. MACFARLANE. The question comes back to one of evidence. It is not what the bureau wants to do, but it is a question of evidence.

Mr. BEGG. But what we want to know is what your policy is.

Mr. MACFARLANE. The intention is to pay every insurance claim where there is evidence that a man applied for it. I know of the case of a sailor who went before the yeoman and said he wanted \$10,000 of insurance in favor of his mother; the destroyer on which he was serving was ordered to sea and in view of the weather the man could not sign his application, nobody was able to sign an application; that man was ordered up in the crow's nest, he was swept overboard and we are paying that claim because he had told his commanding officer that he wanted \$10,000 of insurance, had nominated the beneficiary and had gone through all the formalities except that of signing the application, and he could not sign it because of the stress of weather. There was another case of a man who went to his commanding officer and said he wanted \$10,000 worth of insurance, and he wrote home to his mother and said "I have to-day taken out \$14,500 of insurance in your name." He was confusing the \$10,000 with the automatic insurance.

They were put in quarantine and after the quarantine was lifted he went home on leave and then came back; five days later he was taken with the influenza and died, but he never signed a paper. The only evidence we have is that letter written home and a memorandum in an officer's notebook, a 5-cent notebook, that—I forget the man's name, but we will say "James Smith, \$10,000, same as his allotment blank." It appeared that some days before he filed an application for insurance he had made out an allotment blank and nominated his mother; he made an allotment, and we took that as evidence that the boy took out \$10,000 worth of insurance, then he wanted his mother to be the beneficiary and we are paying that claim.

Mr. BEGG. Suppose that officer had been killed, had not been able to furnish that evidence and all you had was that letter?

Mr. MACFARLANE. Well, as the boy made an allotment to his mother the assumption would be that he took care of his mother in the way of insurance, and that when he wrote home to his mother saying that he was insuring himself for \$10,000 he was telling the truth. It all gets down to a question of evidence. The bureau is trying to pay every claim that it possibly can within the provisions of the law. There is no question about that, but all kinds of trouble are coming up. We have letters and some applications written on pieces of paper while the men were in dugouts and those are the letters on which we are paying claims.

The CHAIRMAN. For the purposes of the record, who decides finally?

Mr. MACFARLANE. In theory, the director makes the award; but of course, in regular practice a case goes through the regular mill, and it would be up to some reviewer. If a reviewer should turn it down, then the director may review it. While theoretically, under the law, the director must make the awards, it is impossible for him to see every case; but in this particular case I know that it had been turned down five or six times; then when the case was brought to the attention of the director and the whole matter was reviewed in the light of the allotment and allowance blank and the letter, as well as the pay roll, the claim was paid.

The CHAIRMAN. Let me ask you about another side of that. If a soldier does not take out insurance and declines to take out insurance, is he not supposed to sign a blank indicating that he declines to take it out?

Mr. MACFARLANE. Yes, sir; under War Department regulation 72 a man at the expiration of 120 days after enlistment, or before April 6, 1918, if he did not want to take out insurance, had to sign a statement that the war-insurance act had been explained to him, but nevertheless he did not want to take out insurance. We have probably 60,000 or 70,000 such applications in our files. That is the first thing we do when one of these cases comes before us; we look to see if the soldier signed a non.

The CHAIRMAN. There should be either an application for insurance or a declination?

Mr. MACFARLANE. Yes; but we all know that when the influenza struck us a great many boys died who had never had an opportunity to apply for insurance; so that, therefore, they could not have filed a declination before their 120 days had expired.

Mr. BEGG. Were they not automatically insured for \$5,000 during the 120 days?

Mr. MACFARLANE. No; that went out of existence on February 12, 1918, but the Sweet bill put it back again; the Sweet bill insures all of these men for 120 days after enlistment.

The CHAIRMAN. Would not the presumption be, in the case of a soldier who had written letters stating that he had taken out insurance, and no reference to him being found in the "non" number, that he had taken out the insurance?

Mr. MACFARLANE. If he died after the 120 days?

The CHAIRMAN. Yes.

Mr. MACFARLANE. Yes, sir; that would be the presumption, and every effort would be made by the bureau to prove it.

Mr. BEGG. Suppose you could not find any evidence other than the letters, do you know what disposition would be made of the matter?

Mr. MACFARLANE. I do not think that is very probable. There is always some other evidence. If the boy made out an application, then somebody witnessed it.

(Thereupon the committee adjourned until to-morrow, Tuesday, October 28, 1919, at 10.30 o'clock a. m.)

COMMITTEE ON EXPENDITURES
IN THE TREASURY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Tuesday, October 28, 1919.

The CHAIRMAN. The committee will come to order. Mr. Andrews, I understand you have some request you desire to submit.

Mr. ANDREWS. I want to ask that the financial statement submitted by the Director of the Bureau of War Risk Insurance under date of June 13, 1919, be laid before the committee for its information and consideration, as the committee may desire to take it up. There is some data in that report that I think will be helpful to all of us in its bearing on the financial side of this subject.

The CHAIRMAN. The statement is here, and without objection it will be inserted in the record.

Mr. ANDREWS. Mr. Chairman, I would like to have the record show that there is a difference between the date of the document or statement from the director, which brings his report up to June 7, 1919, and the date of the report that you have from the Division of Bookkeeping and Warrants, which brings it up to June 15, 1917. That difference in the dates should be noted in order that we may keep the balances in proper shape, because the director might have on his books on June 7 less than the division of bookkeeping and warrants would have on its books on June 15, and a discrepancy would naturally appear.

The CHAIRMAN. Do you want to take this document up for consideration now?

Mr. ANDREWS. No; I am not particular about that. I simply wished to have it in the record. Let me add this, if I may: My purpose in calling for this statement in the record now is this: It furnishes the official statement of the director with reference to the receipts and disbursements of the bureau up to June 7, 1919. With that official statement before us, we can take our bearings from it in the investigations along other lines of information, concerning those receipts and disbursements. The matter we had up yesterday has a direct bearing upon this point when it is completed and brought up to date. It has not been fully completed.

The CHAIRMAN. Without objection, the statement will be inserted in the record at this point.

(The statement referred to is as follows:)

TREASURY DEPARTMENT,
BUREAU OF WAR RISK INSURANCE,
Washington, June 13, 1919.

Hon. PORTER H. DALE,
Chairman Committee on Expenditures in Treasury Department,
House of Representatives, Washington, D. C.

DEAR MR. DALE: In compliance with your request of June 9, 1919, I am pleased to furnish you with the following information relative to the Bureau of War Risk Insurance:

Total number of Insurance applications received to June 7, 1919.....	4,531,929
Total amount of insurance applied for to June 7, 1919.....	\$39,619,462.00
Total amount of insurance premiums receivable to Dec. 31, 1918.....	\$200,000,000

APPROPRIATION.

Military and naval compensation act of Oct. 6, 1917.....	\$12,150,000.00	
Unexpended balance June 7, 1919.....		\$1,312,696.73
Military and naval family allowances act of Oct. 6, 1917.....	141,000,000.00	
Act of Nov. 4, 1918.....	70,000,000.00	
Act of June 5, 1919.....	39,615,000.00	
Total.....	250,615,000.00	

Unexpended balance June 7, 1919.....		25,263,124.13
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Salaries and expenses:		
Act of Sept. 2, 1914.....	100,000.00	
Act of June 12, 1917.....	150,000.00	
Act of Oct. 6, 1917.....	100,000.00	
Act of Mar. 28, 1918.....	1,537,800.00	
National security and defense fund.....	1,400,000.00	
Act of July 3, 1918.....	3,591,000.00	
Act of Nov. 4, 1918.....	100,000.00	
Act of Nov. 4, 1918.....	7,580,000.00	
National security and defense fund.....	3,228,000.00	
Act of June 5, 1919.....	2,429,500.00	
Total.....	20,216,300.00	

Unexpended balance, June 7, 1919.....		13,252,774.73
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Military and naval insurance act of Oct. 6, 1917.....	23,000,000.00	
Premiums paid direct.....	7,352,397.97	
Premiums transferred from pay deductions.....	107,893,334.01	

Total.....	138,245,731.98	
Unexpended balance, June 7, 1919.....		94,643,895.90
Marine and seamen's act of Sept. 2, 1914.....	5,000,000.00	
Marine and seamen's act of Mar. 3, 1917.....	15,000,000.00	
Marine and seamen's act of June 12, 1917.....	30,000,000.00	
Premiums.....	52,805,617.82	

Total.....	102,805,617.82	
Unexpended balance.....		68,553,625.41

No data is available at this time relative to the number of policies which have lapsed for nonpayment of premium. This is due to the liberal reinstatement regulations now operative in respect of war-risk insurance.

Trusting that the above information will be of service to you in the work of your review, I am,

Very truly yours,

R. G. CHOLMLEY-JONES,
Director.

* \$360,000 reimbursable.

Statement showing all appropriations, total amounts appropriated, total expenditures, and cash balances covering period from beginning of Bureau of War Risk Insurance to June 7, 1919.

Title.	Amount, appropriated.	Total expenditures.	Unexpended balance.
Military and naval family allowance.....	\$259,615,000.00	\$225,351,875.87	\$25,263,124.13
Military and naval commutation.....	12,150,000.00	10,837,303.27	1,312,696.73
Military and naval insurance:			
Appropriation.....	\$25,000,000.00		
Premiums.....	115,245,731.98		
Losses on war-risk insurance of American vessels, their cargoes, etc.:.....		43,601,836.08	94,643,595.00
Appropriation.....	\$50,000,000.00		
Premiums.....	52,805,617.82		
Refund of premiums on war-risk insurance of American vessels, their cargoes, etc.:.....		1,435.60	68,553,625.41
Salaries and expenses, Bureau of War Risk Insurance ¹ :			
National security and defense ²	1,987,830.00	1,923,222.37	64,377.63
Salaries and expenses, Bureau of War Risk Insurance, 1919.....	1,430,000.00	1,361,983.68	38,016.32
Salaries and expenses, Bureau of War Risk Insurance, 1920.....	13,600,505.00	10,661,115.84	2,939,389.16
National security and defense, 1919.....	10,980,630.00		10,980,630.00
Allotment trust fund (transferred from pay of Army, Navy, Marine Corps, and Coast Guard).....	\$ 3,228,000.00	3,023,232.33	204,767.67
Total.....	309,905,060.00	261,569,860.44	48,344,199.56
Total.....	844,928,715.40	592,568,828.80	252,359,886.60

¹ Acts of Sept. 2, 1914, June 12, 1917, Oct. 6, 1917, Mar. 28, 1918, Nov. 4, 1918.

² Transferred from "President's fund" Nov. 19, 1917, Jan. 31, 1918, June 25, 1918.

³ \$36,190 of this amount reimbursable.

NOTE.—There have been no amounts covered into the surplus fund.

STATEMENT OF MR. WILLIAM MACFARLANE, ACTUARY BUREAU OF WAR RISK INSURANCE—Continued.

The CHAIRMAN. When we adjourned yesterday, Mr. Macfarlane was on the stand. Mr. Macfarlane, you have had considerable experience in the insurance business, have you not?

Mr. MACFARLANE. I have been in the insurance business since I left school.

The CHAIRMAN. Will you give the committee some outline of your experience in the insurance business?

Mr. MACFARLANE. I am assistant actuary of the New York Life Insurance Co.; I am a Fellow of the Faculty of Actuaries, in Scotland, by examination; a Fellow of the Actuarial Society of America, by examination; and a Fellow of the Medical Institute of Actuaries, by election.

The CHAIRMAN. How many years' experience have you had?

Mr. MACFARLANE. About 14 years.

The CHAIRMAN. Will you give the committee your age?

Mr. MACFARLANE. Thirty-two years.

The CHAIRMAN. What compensation do you get from the Bureau of War Risk Insurance?

Mr. MACFARLANE. Six thousand dollars per annum.

The CHAIRMAN. You are the actuary of the bureau?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. Has there been any controversy or anything in the nature of a controversy between the actuary of the bureau and the War and Navy Departments as to the amount of premiums that have been deducted from the men's pay?

Mr. MACFARLANE. Well, there has not been any controversy; but we have been awaiting the compilation of certain figures before we would take up with the service departments the accounting question as to who is accountable for the lack of premiums deducted from the pay of soldiers. Now, we have a statistical card on every application for insurance received in the bureau that shows the age, the amount of insurance, the premium, the month it was taken, etc., and we are gradually having those cards, in view of the fact that the men are being discharged, put through our electrical card-punching machinery, and as soon as that process is completed we will know the amount of insurance taken out in the Army, Navy, and the different services, and will know the months in which such insurance was taken. Then we will be able to calculate the premiums that should have been deducted from the pay of the soldier. We know quite well that the Army, especially, neglected to deduct premiums in the early months of the operation of the war-risk insurance act.

That is very evident by taking their amounts, or the amounts that they have reported as the total of the pay rolls to date, and comparing them with our tentative figures for each month. For instance, in November, 1917, the Director of Finance's books show that there was deducted \$295,962.04, but our records would indicate that the premiums were very much larger. I think that was caused by the fact that the men in the service, in view of the automatic insurance provision in the act, which provided that each man was insured for \$4,500 until February 12, did not fully understand the conditions, and the officers did not deduct the premiums as they should have been deducted. I do not know whether you remember the application for insurance, but it had a peculiar wording on two lines which asked the applicant to strike out one of the lines. A man would apply for \$10,000 of insurance, and the officer himself or the man himself would think that he was getting that insurance effective on February 12, because in the meantime each man was covered by the automatic insurance. In fact, the man was immediately covered by the \$10,000 insurance, but the Army did not start its checkage until the month of February.

Therefore, in those early months, there must be a great many cases in which no deductions were made. Now, by the regulations, of course, as long as a man was in the active service and as long as he had authorized deductions to be made from his pay, his insurance could not lapse, where he had not filed a written statement that he wanted to cancel his insurance. When that question would come up, we could not possibly get a check on ex-service men for the payment of premiums that were not deducted. The question will come up as to whether the bureau will have to appeal to Congress for an appropriation or whether the War Department will have to appeal to Congress for an additional appropriation for pay of the Army and transfer it to the bureau. We will not take that question up with the War Department until they have more definite data as to where the discrepancy was, and, until they can find out whether it is \$1,000,000, \$10,000,000, or \$50,000,000 that will be required. We have not gotten that figure yet.

The CHAIRMAN. You say that they neglected to take out those premiums?

Mr. MACFARLANE. It was a misunderstanding. For instance, a man made out his application, say in November, 1917, saying "I apply for \$10,000 of insurance in favor of my wife, or mother, or something." Then he would strike out down below one line, and that line read that if the application was for more than \$4,500 insurance it should be effective immediately, and if for less than \$4,500 it should be effective February 12. In the meantime the man was covered by the act for \$4,500 without the payment of a premium. The man would say, "I will have this \$4,500 term insurance and \$10,000 in insurance effective February 12," but in effect they did not do that, because they did not strike out the proper line. The officer did not understand that and the men did not understand it, and there was a great deal of confusion because of that in the early days. We are paying \$10,000 claims on those applications. We said when we received this insurance that those boys were insured for \$10,000 from the date of the signature, and the premiums ought to be deducted. Months afterwards we found that the men misunderstood it, and that they did not deduct the premiums until February. In the meantime the boys were covered for \$10,000.

Mr. VAILE. Do you know the total amount that was deducted?

Mr. MACFARLANE. Yes, sir.

Mr. VAILE. Do you know the total number of men who were insured during the period for which those deductions were made?

Mr. MACFARLANE. We are just getting to the point where those figures are coming out. We are making four and a half million cards following the discharge of the men from the Army. Each month the discharged man was not always checked on the pay roll. In some cases the officer did not check the men on the pay roll, and sometimes we get men discharged who have not been checked for six months. All of those things must be taken care of, and gradually those figures are being worked out. We hope very soon to be able to check up those service department deductions up to the time of the armistice. That is all we can do just now, but that will be the big bulk of the premium income. We will have a certain amount of deductions from the Army, Navy, Marine Corps, and Coast Guard for each month up to the armistice, and then we will take the deductions that they say they made, and by a comparison find the discrepancy. Of course, they will immediately turn around and say, "Show me." Then we will take up the month of November, 1917, probably, and pull all the cards, throw them, and take up the abstracts. Then we will say, "Here is an application for which no deduction was made, and here is another application."

We will also take up the question of the officers. The officer makes his own deduction from the pay voucher. Some regulation was passed to protect the officers, and the officers were authorized to make the deductions on the pay roll or pay vouchers. As long as he was in the active service he would be protected. In other words, a man who did not make up a pay voucher in three months and then went over the top and was killed we considered insured. As a matter of fact, probably a great many officers failed to make deductions on the pay vouchers, and unless we were now to examine that pay voucher and try to get the premium back or an accounting for the amount of insurance our account will be underestimated. Gen. Lord said to us

that if we could point out any case where an officer had not made his deduction that he would withhold it from the final pay. It is absolutely impossible for us to take up every discharge and go through every Army quartermaster's accounts and our records before the man was discharged to find out whether the deduction was made from every month's pay voucher.

Mr. ANDREWS. Does the bureau hold itself out as the responsible agency for those collections?

Mr. MACFARLANE. That is a question that is not determined. The war-risk insurance act says that the deduction may be made from the pay or deposit of the soldier.

Mr. ANDREWS. What authority would the bureau have to make the deductions, if it should undertake to do it, from the soldier's pay?

Mr. VAILE. From the final pay, for instance?

Mr. ANDREWS. Yes.

Mr. MACFARLANE. As long as the man is insured and authorizes a deduction for his premium—

Mr. ANDREWS (interposing). That is, while in the service?

Mr. MACFARLANE. Unless he says, "I authorize a deduction from my monthly pay"—

Mr. ANDREWS (interposing). How could the bureau make any deduction from the soldier's pay? What authority has the bureau to make that deduction?

Mr. MACFARLANE. Do you mean in the ordinary course?

Mr. ANDREWS. Yes; while the soldier is in the service?

Mr. MACFARLANE. The act authorizes it.

Mr. ANDREWS. But has the bureau the power to enforce that provision of the act?

Mr. MACFARLANE. I do not think there is any question of that.

Mr. ANDREWS. Now, the soldier is under the control of the War Department, is he not?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. And the War Department has full authority to make payment?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. It has absolute charge of the appropriation out of which that deduction will be made?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. And the law lays the duty and responsibility upon the War Department to make that deduction and turn it over as a credit to the bureau?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. Then, what authority would the bureau have to assume the collection of it?

Mr. MACFARLANE. The War Department would collect it.

Mr. ANDREWS. In other words, if you discover that it has not been paid, you call the attention of the War Department to that fact?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. Let us go back to that point and determine whether or not the War Department is the legal agency to make the deduction and turn in the money, or whether the bureau is such legal agency. It occurs to me that that is a very important point.

Mr. MACFARLANE. I think that is the point under discussion, where the obligation ends, in view of the fact that there was this war and

these men were going overseas and applications were coming in in all kinds of ways. The officers could not be properly instructed, and the application form itself was drawn up in a peculiar way, and they did not always know just the right interpretation.

Mr. ANDREWS. My question related exclusively to the period when the men were in service and not after they were discharged. After the man is discharged, there is a different situation.

Mr. MACFARLANE. In the early months when these deductions were not made on the pay roll, probably through the men and everybody else failing to understand what was the proper deduction, the men imagining that they were only going to be insured from February 12, when the bureau under the act had insured them right away—whether that obligation is on the War Department or whether on the bureau, as I understand it, the question has not been determined.

Mr. ANDREWS. If you find in the course of the examination that a considerable amount or that any amount of money due under this provision has not been deducted, it is important for us to know whether to lodge that responsibility with the bureau or with the War Department.

Mr. MACFARLANE. Absolutely.

Mr. ANDREWS. I do not think you would want us to charge anything to the bureau that belongs to the War Department, would you?

Mr. MACFARLANE. Well, after all, it will be just a paper transaction.

Mr. ANDREWS. The point in that, for our investigation and in pointing out where the difficulty lies, is that we would want to fix definitely and correctly the responsibility. If the War Department has failed to make the deductions that should have been made, that department should answer for it.

Mr. MACFARLANE. Yes, sir; I think they ought to.

Mr. VAILE. The War Department, of course, pays the men.

Mr. MACFARLANE. Yes, sir; and the man authorizes the deduction from his pay. Then the question arises that the officers did not understand the war-risk insurance act, and that they had a great deal of paper work to do. They would say that these men authorized the deduction from their pay from February 12, whereas, as a matter of fact, they were insured before that time.

Mr. VAILE. At the time the soldier was paid the Bureau of War Risk Insurance had no machinery with which to make the deductions?

Mr. MACFARLANE. No, sir; and probably did not receive the applications until months afterwards; and did not know the deductions were not being made until within the last few months.

Mr. VAILE. There is no agency of your bureau on the scene when the abstracts are made out and the soldiers paid?

Mr. MACFARLANE. No, sir.

The CHAIRMAN. Is there any responsibility on the Bureau of War Risk Insurance to notify the War Department of the premiums that they should deduct?

Mr. MACFARLANE. That would have been an impossibility.

The CHAIRMAN. This is what I want to get at in the question: Is there any responsibility on the part of the bureau to do that?

Mr. MACFARLANE. No, sir. Theoretically there would be a responsibility, but I think, keeping in mind the functions under the

war-risk insurance act, with the many more important things to be done, it would have been impossible.

The CHAIRMAN. Let me ask you a few questions along that line: How do you estimate the premium receipts?

Mr. MACFARLANE. When the applications were received in the bureau, we kept each day an adding-machine total of the receipts, so many hundreds of millions of dollars in insurance received. As a matter of fact, the receipts were, we will say, for the month of January or April, 1918, while the applications may have been dated, April, March, February, May, June, or December. We took those monthly totals and we found that the average age was 26½ years at the date of entering the service. We said there was so much insurance received in January, and we took that month's premiums out of that pay roll. Of course we knew that it was underestimated. Now, we have a punched card on each individual application showing the exact month in which it was issued, and that is what we are figuring out the premium income on. Therefore, assuming that our records are correct, we ought to know to the exact dollar and cent, what premiums we should charge the Army, what premiums we should charge the Navy, etc.

The CHAIRMAN. Do you know what your premium income is?

Mr. MACFARLANE. No, sir.

The CHAIRMAN. Do you know approximately?

Mr. MACFARLANE. I know that we received a month ago in cash about \$3,000,000. That is, of course, from men out of the service. As to the deductions in the service, of course, we do not know.

The CHAIRMAN. This \$3,000,000—

Mr. MACFARLANE (interposing). Those are premiums from ex-service men.

The CHAIRMAN. How do you estimate those premiums?

Mr. MACFARLANE. We could make very good estimates up to the time of the armistice, based on the average age of 26½ years and the average policy of about \$8,700. We would have say, a million men, of the average age of 26½ years, insured for that average amount, the premium on a \$10,000 policy being \$6.60 per month, and just a little figuring on that would give us the premium income. That was the rough and ready way of estimating it. Then, as the men became discharged, many lapsed their policies, renewed them, and then lapsed them again. We have no means just now of stating exactly what is the amount of our premiums receivable. When this thing settles down in a month or so, we ought to stop work for a day and tally up on the cards, check up all the deductions, and find out what the condition is on a certain date.

The CHAIRMAN. You have had a good deal of actuarial experience, and, of course, I know that you have certain systems by which you estimate actuarially the income from premiums, and I assume that you apply those systems in the bureau?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. Those systems are in operation there?

Mr. MACFARLANE. Yes, sir. Of course, the situation in the bureau is a very different one from that which applies to any private company, because we have men in the service, and men out of the service, and we have a monthly premium business that changes from day to day. We have the largest lapse rate, I think, in history.

Mr. ANDREWS. Naturally, you have.

Mr. MACFARLANE. Yes, sir; but it does not lend itself to accounting until things become settled. It is like trying to audit accounts before the accounts are in.

The CHAIRMAN. Can you state to the committee approximately how the premiums that the bureau will receive will compare with the insurance that they have to pay; that is, the amount of the premiums and the amount of the insurance that you have to pay and which is covered by the premiums?

Mr. MACFARLANE. Of course, you realize that we have awarded insurance claims of over \$1,000,000,000, and you know that war-risk insurance is payable in monthly installments. Therefore we do not have to disburse that \$1,000,000,000 at once, but it is disbursed in installments over the next 20 years, so that our appropriation will last us probably three years. I made up an estimate for the Treasury Department the other day as a tentative matter for the balance of this fiscal year. We had received in October of this year, to June 20, inclusive, \$40,000,500 in cash premiums, and we have transferred from pay appropriations of the services \$96,000,000, making a total from October 19 to June 20 of \$136,000,500. In that same period our disbursements on account of insurance, in view of the installment feature, would be \$214,000,650.

The CHAIRMAN. Is it your impression that the premiums are going to fall far short of meeting the insurance through the next 20 years or so?

Mr. MACFARLANE. Assuming that we have \$1,000,000,000, and we had about \$900,000,000 in claims up to the armistice covering active warfare, we estimated the premium income at that time at \$200,000,000, so that the war cost to the taxpayers is \$700,000,000. However, that has not got to be paid out now. It is under the installment feature of the war insurance act.

The CHAIRMAN. Excuse me right there. Has that approximate amount of \$700,000,000 got to be met by congressional appropriations?

Mr. MACFARLANE. That will have to be met by congressional appropriations in years to come, but not at the present time. It has not got to be met by congressional appropriation just now, because we have received \$200,000,000 in cash premiums. As I have said, we do not pay the claims immediately, but they are under the installment feature. That is a good economical feature because it spreads the cost over 20 years. In four years it will cost \$70,000,000 a year to pay the claims.

The CHAIRMAN. The question that comes up in my mind is this: Assuming now that Congress will pay this approximate amount you have stated, then will the premiums that you receive pay the insurance as it comes due from year to year?

Mr. MACFARLANE. Yes, sir.

The CHAIRMAN. So that it is your opinion that the only appropriation that it will be necessary for Congress to make to keep this Bureau of War Risk Insurance in operation will be an appropriation to cover this approximate amount you have just stated?

Mr. MACFARLANE. Yes, sir. In other words, Congress will have to appropriate during the next 20 years the necessary amount to

cover the war-cost insurance. In the future it is like fire insurance—that is, when we get \$10, we expect \$10 in claims.

The CHAIRMAN. You stated that from your experience you have no doubt that the bureau will be able to maintain itself after the payment of this war insurance?

Mr. MACFARLANE. There may be some more claims. In other words, we have boys in the hospitals now, and, of course, some of those boys will die, and that will be a war cost; but above the war cost, which, of course, includes the influenza cost, the premiums will meet the current risks.

Mr. VAILE. In making that statement, you are not anticipating any great increase in the number of lapses, are you?

Mr. MACFARLANE. The lapses will not matter, unless we get nobody but the cripples left, or unless there is a great selection against the Government, or unless all the healthy go out and leave us nothing but men who have been gassed, or something else.

Mr. VAILE. Some of us gathered the impression that the less desirable risks were the ones that were being left with the War Risk Insurance Bureau.

Mr. MACFARLANE. That is a feature that we must take care of and see that it does not happen. Of course, if we just sit down and wait for the men to come to us and take out the insurance, without going out and asking them to take it, it might result that way. By spending a little money in going out among those men and urging them to retain their insurance we could, no doubt, save Congress a considerable amount in appropriations.

Mr. VAILE. You stated a moment ago that your bureau had had the greatest number of lapses of any insurance organization with which you have been familiar. Can you state, in a general way, what the proportion of lapses is to the total number of insured you have had?

Mr. MACFARLANE. I think about 75 per cent of the men have lapsed their insurance.

Mr. VAILE. Have you any means of ascertaining the comparative merits of those who are left with those who have lapsed their policies?

Mr. MACFARLANE. No, sir. I do not think myself that there is any selection against the Government in this thing. I think that is just because the men are going out of the service. When it comes to the \$6.60 per month, they may not want to pay it, but we think that a great many of them will come back. I think if this legislation is passed by the House it will bring many of them back.

Mr. VAILE. If any of the soldiers did consider the propriety of letting their insurance lapse, would not those be mostly influenced who could not get insurance elsewhere?

Mr. MACFARLANE. That would be human nature.

Mr. VAILE. So that would it not be reasonable to suppose that among the 25 per cent left you would have an undue proportion of poor risks?

Mr. MACFARLANE. I do not think so, for this reason, that there are a great many men holding on to their war-risk insurance because they know that it is a good thing.

Mr. VAILE. Is it not especially a good thing for the man who can not get insurance elsewhere?

Mr. MACFARLANE. Absolutely; of course.

Mr. VAILE. You do not suppose that that feature is strong enough to affect the number who have lapsed in such a way as to leave an undue proportion of poor risks in the bureau?

Mr. MACFARLANE. No, sir. I expect that a great many men who have lapsed their insurance will come back before the 18 months is up, if the Sweet bill should pass the Senate.

Mr. VAILE. I wish you would explain to us from your actuarial experience how the Government can pay the future expenses of the War Risk Insurance Bureau, aside from what you have just described as the war losses, from insurance which was sold at a less rate than that charged by the regular insurance companies?

Mr. MACFARLANE. Well, of course, there will be two kinds of insurance. There will be the term insurance that will run for the next five years, or for five years after peace is declared. After that time the men have the right to convert them into permanent forms of insurance, such as ordinary life, twenty-payment life, etc. Now, this converted insurance will stand on its own legs, and will not require any appropriation from Congress whatsoever, except to meet the expense of running the bureau. That is provided for in the act. The converted insurance will be self-sustaining. We will build up reserves and the Treasury will invest the money at a rate of interest over that required to keep us solvent, because we will have a mortality underneath the rate. That converted insurance, therefore, will be self-supporting, unless, as you suggest, we get nothing but bad risks. The term insurance starts out on this basis, that we have over \$1,000,000,000 worth of claims, and that we have got certain monies that will pay those claims for, say, three years. By that time our cash balance will be depleted and we will have liabilities of \$70,000,000 each year. We will not have the money to meet that, and that is when Congress will make appropriations.

Mr. VAILE. I was not referring to what you call war risks.

Mr. MACFARLANE. If Congress or the Appropriations Committee appropriated now \$700,000,000 or \$800,000,000 we would set that money aside and invest it, and never have to come before Congress again, but because the Appropriations Committee does not do that, we would pay the war claims out of the premiums.

Mr. VAILE. Still, you figure that, aside from the losses due to casualties of battles, or deaths from disabilities or disease incurred in the service, the bureau will be self-sustaining?

Mr. MACFARLANE. Let us talk about what has happened: There is \$1,000,000,000 worth of claims and the premiums will pay those claims so far as they go, and then Congress will come to the rescue and pay the others. Now, we start out to-day fresh, we will say, with the term insurance business. Say that 1,000 men keep their term insurance, and they pay us \$10,000 per month. Now, in that month, according to the theory of the insurance, \$10,000 in claims should arrive, and we have received \$10,000 from premiums. When the \$10,000 in claims arrives, we have to pay them in a lump sum, and that would strike a balance. If we did not do that, but paid \$37.50 each month for 20 years, we would have the \$10,000, and we would have to keep duplicating that payment every month at the rate of \$37.50.

Mr. VAILE. That payment of \$37.50 per month is analogous to certain forms of insurance carried by other companies?

Mr. MACFARLANE. Yes, sir.

Mr. VAILE. But the charge to the insured for the insurance is less?

Mr. MACFARLANE. Yes, sir.

Mr. VAILE. Now, to what process do you attribute the supposition that the Government can carry such insurance for less than similar insurance is carried by the old-line companies?

Mr. MACFARLANE. The premium rates charged for the term insurance is the ordinary peace-time rate, but the Government pays the expense of running the bureau, which is authorized by the act.

Mr. VAILE. Is that the only difference?

Mr. MACFARLANE. Yes, sir.

Mr. VAILE. Assuming that the risk would be equally good?

Mr. MACFARLANE. Any company could afford to insure on the same basis that had no expenses of agencies to pay, or no actuaries or directors to pay. They could do the same thing.

Mr. VAILE. Would the proportion between the expense of conducting the business and the payment of the losses be about the same for the Government as for the private insurance company, or would it be greater?

Mr. MACFARLANE. In other words, can the Government administer this thing cheaper than other companies?

Mr. VAILE. Or as cheaply?

Mr. MACFARLANE. Of course, the Government is not paying any agents, but it is trying to do a mail-order business.

Mr. VAILE. Are there any elements that make it less or more expensive?

Mr. MACFARLANE. If you resolve that into the final issue, it is the old question of whether the Government can do a thing cheaper than a private company can. The expenses would be paid, and so far as the insured is concerned, the question of whether the bureau was run expensively or cheaply, would not matter. He pays a premium rate that covers only the risk. Suppose it costs \$10 to insure a house against fire, then, apart from all expenses, he pays \$10. He does not care whether it costs \$20 to put that insurance on the books, because, in this case, Congress will pay that money. In a private company he would pay it. In the case of a private company, the question of how cheaply or expensively the company is run affects the insured. If it is a dividend policy, the dividend is affected.

Mr. VAILE. When Congress is called upon for appropriations will there be any way of distinguishing the part which is estimated for the payment of what you have just referred to as the war-risk cost, and the part desired for the payment of current losses?

Mr. MACFARLANE. Yes, sir. In other words, if an estimate is submitted for so many millions of dollars to be covered into the military and naval insurance appropriation, the figures will show so many claims occurring in 1919, we will say, under war risks, and the premiums received in that fiscal year.

Mr. VAILE. But there will not be any way of distinguishing the proportion of the cost to the Government of carrying that part which is due to the war losses and that part which is due to current losses, will there, or will the overhead expense be charged to each kind?

Mr. MACFARLANE. Yes, sir; but the overhead would come out of a different appropriation.

Mr. VAILE. But my inquiry was intended to bring out whether or not there would be any way of apportioning it.

Mr. MACFARLANE. I think that could be done by finding out the expense of the department that pays the losses.

Mr. VAILE. The same department would pay them.

Mr. MACFARLANE. If you have 120,000 claims occurring during a month, and you have 10,000 claims occurring in 1921 during peace times, you could get at the normal cost—

Mr. VAILE (interposing). What I am trying to get at is this: As to the claims that occur in peace times, or what I have, perhaps, inaccurately referred to as current losses in the future, the proportion between the overhead expense on account of those losses and the losses themselves should be the same as exists in the case of insurance of a similar nature in private companies, should it not?

Mr. MACFARLANE. I think it would be a false basis to assume that the cost of getting the insurance on the books is proportionate with the cost of paying the claims. The bureau is in an entirely different situation from that of any company that has a monthly premium business. This insurance was not sold; it was so good that they took it. These men have got to be reinstated and then they have got to pay the premiums monthly. Wherever you have a mail-order business it makes the running of the thing away out of proportion to the cost of running the thing where some man has a monetary interest in having the men to renew their premiums and keep up the insurance. If they fail to pay the premiums, the agency looks them up and reminds them of it.

Mr. VAILE. That is about the only way I keep mine up. The agency is on the alert.

Mr. MACFARLANE. And he gets 5 per cent for doing it, probably.

Mr. VAILE. Do you think that the cost of the Government should by reason of the nature of the case be greater than the cost of the private company?

Mr. MACFARLANE. For a certain number of years.

Mr. VAILE. The cost of a mail-order business would be greater?

Mr. MACFARLANE. Yes, sir. Every time you get out a letter it costs so much, and every time you get a check not properly made out, it costs so much. Probably the man does not put the number of his policy on his remittance, and all of that work must be done from Washington. There is no decentralization of it. In the case of a private company, all of those things come into the home office clean, because somebody in the field has handled them and checked them up on the spot.

Mr. VAILE. It would be your judgment, based on your experience in the insurance business, that—

Mr. MACFARLANE (interposing). That the overhead expenses for some things will be greater than normally in an insurance company.

The CHAIRMAN. Is it not the practice in the regular insurance companies to put a certain amount of the premiums as they are paid into a reserve fund?

Mr. MACFARLANE. Yes, sir; and that will be done under the new form of policies under the Sweet bill—that is, the form of policy that the man may change his term insurance into in the next five

years. We will carry in the Treasury a reserve against each of those policies, and the Secretary of the Treasury is authorized under the Sweet bill to invest that reserve in Government securities.

The CHAIRMAN. That has not been done up to date?

Mr. MACFARLANE. No, sir.

Mr. ANDREWS. If I understand you correctly, on the peace basis, leaving out consideration of war time, the soldier takes out reinsurance?

Mr. MACFARLANE. Term insurance.

Mr. ANDREWS. In other words, on the peace basis this policyholder will pay into the Government as much money as his claim would require from the Government at maturity; the premiums would pay the insurance?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. It would not go beyond that, would it, and leave any margin?

Mr. MACFARLANE. It might if the mortality is good; yes.

Mr. ANDREWS. But do you not count that the Government would pay all the running expenses of the bureau?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. You do not take into account at all the use of any of this premium money for paying the running expenses of the bureau?

Mr. MACFARLANE. We can not under the act.

Mr. ANDREWS. If this insurance is worth to the ex-service men what it is said to be worth, why is it necessary to get out and hunt up these boys to have them carry on this insurance?

Mr. MACFARLANE. I think as a normal thing that a husky boy of 20 does not want to think much about death.

Mr. ANDREWS. We understand that in a general way. Suppose this committee should be asked upon the floor of the House when in turns in its report this question. Why should the Government under these conditions pay out millions of dollars annually for the running expenses of the bureau to carry on this insurance in time of peace aside from the boys that had their insurance in time of war and for which there is a specific obligation existing aside from the others? What would be your answer?

Mr. MACFARLANE. The Government will have to pay some expense, whether one million or ten millions, for this matter. The Government has to pay the expenses as a matter of contract.

Mr. ANDREWS. I mean about this peace-time insurance.

Mr. MACFARLANE. That is a question of contract. The men have a contract with the Government to carry a set insurance.

Mr. VAILE. At a certain rate.

Mr. MACFARLANE. At a certain rate per \$10,000.

Mr. ANDREWS. We anticipate in the further discussion of this matter in Congress, especially two or three years hence or years hence that question is going to become very active, and we are going to come face to face with the question of insurance or getting pensions.

Mr. MACFARLANE. Yes.

Mr. ANDREWS. You say 75 per cent of these men have dropped their insurance and 25 per cent have carried it. Let us assume that 25 per cent carry that insurance on through?

Mr. MACFARLANE. Yes.

Mr. ANDREWS. There would be 75 per cent that do not carry any. When they come to advanced years and disabilities overtake them, demands will come to the Government on what we have ordinarily considered the pension policy. There would be 75 per cent of these ex-soldier men going on the pension policy; 25 per cent on insurance.

Mr. MACFARLANE. Twenty-five per cent would provide their own pension.

Mr. ANDREWS. Maybe they are and maybe they are not. That is the question as to the cost of this bureau. Why should the Government on the basis of this when the boys have to be coaxed to keep it up pay additional money to keep it up?

Mr. MACFARLANE. I think if the Government makes an effort for two years, say, goes out of its way to instruct these boys and gives them all the information which they have at this time and they do not then take insurance, I think their claim to a pension is very much less than if they had no information. There are thousands, millions, of men in this country who do not know anything about the war-risk insurance, and when they do know it they take it.

Mr. ANDREWS. The pension policy is bound to force itself in the nature of things in the future years.

Mr. MACFARLANE. That is true.

Mr. ANDREWS. And these two things will come on for comparison later on.

Mr. VAILE. Pursuing that further, if the question was asked of me as a member of the House when this bill comes up, why the expense should be continued of carrying on the overhead of the war-risk insurance, I suppose now the only answer I could make would be that this was to persuade men of the merits of taking insurance at a lower rate than they would otherwise have to pay, but any difference between the rates is borne by the public. That is correct, is it?

Mr. MACFARLANE. That is correct.

Mr. VAILE. Can you think of any other answer to that?

Mr. MACFARLANE. No; that is the only reason. The act prescribes that the Government will pay the expenses, that the men may get that cheap rate. It is a reward for service.

Mr. VAILE. And since we have embarked upon that policy it should be continued.

Mr. MACFARLANE. Yes; it must be continued. I am very strongly of the opinion that it is false economy to restrict a wide campaign to have these men keep up their insurance. I think if once the bureau had reached every man and had gotten into personal contact with that man, and after that he did not want it, the Government is then absolved from worrying about his insurance. But thousands of them may take it after it is once explained—a \$1,000 or a \$10,000 policy.

The CHAIRMAN. As I understand it, they can be reinstated.

Mr. MACFARLANE. Yes, sir; but we have no branch offices. I think this advertising appropriation has just failed. We have no field agents. The monthly premium business is entirely different from a yearly premium. The question arises every month with us.

The CHAIRMAN. Let me ask you a question right there: Do you not think, if there were some way to reorganize the employees of the department so that—and I am not saying this in criticism of the employees—so that there would not be so many employees in the

department here in Washington, not knowing what on earth they were there for, and getting men out into the field, it would improve the service?

Mr. MACFARLANE. Absolutely; a decentralization of the organization would help wonderfully.

Mr. VAILE. Mr. Macfarlane, suppose you were unfortunate enough to be a Member of Congress in a couple of years from now and the matter of pensions comes up, pensions to these men with whom, as Mr. Andrews suggested, disabilities may come in future, and objection is made to granting pensions on the ground that they had an opportunity to continue their insurance through the publicity which is now proposed, do you not think it would seem a little ungracious to make an answer that you, Mr. Applicant for Pension, had not chosen to take out your insurance?

Mr. MACFARLANE. I think if Congress takes care of the disabled men, I can not see how you can ever pay a man for doing his duty.

Mr. ANDREWS. There is no cash payment that will answer that. But when this ex-soldier meets misfortune, his health fails him in advanced years, he is in time of need. The argument would be he helped his country in its time of need, now his country should help him in his time of need, and upon that basis the country will never dare as a matter of permanent policy, to turn him away with an empty hand.

Mr. MACFARLANE. I do not question that a bit.

Mr. ANDREWS. That is the basis upon which the pension proposition is bound to grow, and with 75 per cent of the men now without this insurance and in all probability a larger per cent later on, this other question will not come.

Mr. MACFARLANE. Don't you think the Congress could half meet that if they went still further than the present act and say they would pay a certain proportion of this man's premiums?

Mr. ANDREWS. I do not think I would say that now. The question of the pension proposition is going to be very strong and widespread, and in my mind it raises a serious doubt as to the future value of the insurance policy on the part of the Government, and it is a very serious question for future consideration.

Mr. VAILE. Do you not think, Mr. Macfarlane, that there would be an answer to this applicant that Mr. Andrews has just described to say to him, "You have had an opportunity to take your war-risk insurance." We could not answer him that way, could we?

Mr. MACFARLANE. I suppose you could not.

Mr. VAILE. You could not answer him that way as a Member of Congress?

Mr. MACFARLANE. I probably could not.

The CHAIRMAN. Mr. Begg has some questions to ask.

Mr. BEGG. I want to ask Mr. Macfarlane if I understood him correctly that he had 14 years of experience in the insurance business before he went with the War Risk?

Mr. MACFARLANE. Fourteen years in all. I have been almost two years with the War Risk.

Mr. BEGG. Were you with the War Risk when it started?

Mr. MACFARLANE. Not quite. I came near the end of December, 1917. The War Risk started in 1914, and October 6, 1917, the military and naval.

Mr. BEGG. In your judgment, why was the war risk act passed, to protect the Government or to protect the boys?

Mr. MACFARLANE. The original idea, of course, of the war risk act started with the fear that enlistments might be prejudiced if men could not take out insurance in private companies and pay the extra premiums. The other reason is that the companies could not afford to take the hazard of \$10,000 on each man going into the war, which nobody knew anything about. They could not afford to do it, and the result of it shows that they could not, when it has cost the Government \$700,000,000.

Mr. BEGG. There was no obligation. I do not think you have answered the question. There was no obligation to insure the man of military age without putting in a military protection clause; and I may be wrong, but I do not think there was any universal demand from the boys at that time for insurance.

Mr. MACFARLANE. Oh, yes. They always wanted insurance, and the draft law destroyed their insurability. No man under 31 could get a policy without a military clause in it.

Mr. BEGG. Then the insurance act was passed, in your judgment, to protect the boys during the war?

Mr. MACFARLANE. Yes, sir.

Mr. BEGG. Now, the war is over and the boys discharged, and according to your testimony 75 per cent of the policies have lapsed.

Mr. MACFARLANE. That is right.

Mr. BEGG. Has not the purpose of the war-risk insurance act with those 75 per cent been accomplished?

Mr. MACFARLANE. In the large measure it has; yes.

Mr. BEGG. Then what is the justification for spending public money to persuade them to continue in an institution that they are paying for, all except the overhead, and the general public is paying for that?

Mr. MACFARLANE. I think that is a question of policy.

Mr. BEGG. It is a question of policy. I grant that, but it is a question of public policy.

Mr. MACFARLANE. Personally, I am of the opinion that the converting insurance was tacked on to the war-risk insurance act as an afterthought. It was not intended that the Government was going into the insurance business.

Mr. BEGG. Who tacked that on?

Mr. MACFARLANE. Congress.

Mr. BEGG. Who recommended it to Congress?

Mr. MACFARLANE. I do not know. I was not here at the time. I suppose it was the Interstate and Foreign Commerce Committee. The idea was that having destroyed the boys' insurability they ought to cover them; a man might come out of the service disabled and could not get insurance.

Mr. BEGG. I am talking about a man who came out in better physical condition than when he went in and voluntarily drops and lets his policy lapse. On what basis does the war-risk department start out with the view that they will go out, and, as you stated a moment ago, personally visit 75 per cent, which will be about 3,000,000 boys?

Mr. VAILE. Visit them by mail.

Mr. BEGG. He said that Congress should adopt the policy of sending out and soliciting these boys and showing them the benefits to be derived from going into the Government insurance scheme.

Mr. MACFARLANE. The theory of insurance is the theory of averages. We have got to hold the bag.

Mr. BEGG. I do not care anything about the theory of the insurance or the cost. I want to know the theory of government you are basing it on.

Mr. VAILE. That is a little out of Mr. Macfarlane's line.

Mr. BEGG. No. I take Mr. Macfarlane is partially responsible for the war-risk policy.

Mr. MACFARLANE. Not a bit; the Secretary of the Treasury is responsible for that.

Mr. ANDREWS. Who was responsible for the tacking on of this insurance? When that legislation was under consideration former Secretary McAdoo made that a very prominent question of urgency to avoid the question of pensions.

The CHAIRMAN. Do not get away from that question, because I think that is one of the most important things that has been asked in the hearings, and I think Mr. Macfarlane from his experience is best able to answer it, more than any one who has been before the committee.

Mr. ANDREWS. That is one we are likely to be asked.

Mr. BEGG. Yes; and that is what I want to know. I am more interested in that than whether it is going to cost \$70,000,000 to carry on the war risk. We will pay that gladly, but I want to know what the policy is founded upon for the future of this bureau, and who decided that policy?

Mr. MACFARLANE. The Secretary of the Treasury.

Mr. BEGG. Did you have any say in it; did you agree to that policy?

Mr. MACFARLANE. If the bureau was just to carry out strictly the original intention of the war-risk insurance act, not tacking on a converting insurance, I would say no.

Mr. BEGG. You say if the bureau was to just carry out the original intention of the act, you would say no?

Mr. MACFARLANE. As far as I remember the bill from hearsay, the bill came in as a bill to cover the war hazard, and then it was pointed out that men would go out of the service disabled, unable to get insurance from any company, and that the Government, in view of the disability from the service, ought to provide insurance for them.

Mr. BEGG. I grant that without an argument.

Mr. MACFARLANE. Then this conversion provision was tacked on the act, in order that the Government would not just have the bad risks, but would get some good risks to make a general average. That is why the conversion insurance was created. If the Government only took the bad risks and does not go out and seek some good risks, but only gets the bad risks, it would cost the Government in the long run and dissatisfy the boys who have taken out insurance, because it would never pay a dividend.

Mr. BEGG. Let me ask you a question right there. Did these boys take this out with the hope of getting dividends or with the hope of getting protection if they were wounded or killed?

Mr. MACFARLANE. I think the boys took it out because they were lined up and made to sign in a good many cases.

Mr. BEGG. You stated awhile ago that they took this insurance because it was so good.

Mr. MACFARLANE. There is no question but a man getting insurance, a \$10,000 policy, for \$6.60 a month, and if he was talked to death about it and an application put before him he would take it.

Mr. BEGG. And as soon as they get out 75 per cent of them drop that good insurance.

Mr. MACFARLANE. Yes; because \$10,000 in normal peace times is more than the economic value of these men.

The CHAIRMAN. I think you are absolutely right about that, Mr. Macfarlane. It is more than the economic value of the man.

Mr. MACFARLANE. I may say that away back at the time of the armistice I attempted to get the bureau when the men were being discharged to put an application before them to reduce their insurance, so when that man came out he might get it at \$1 or \$2, which he might pay, but never would pay the premium at \$6.

The CHAIRMAN. That answers the question I was going to ask.

Mr. MACFARLANE. It was not done.

Mr. BEGG. Approximately how many people are there in the entire department?

Mr. MACFARLANE. In the insurance department?

Mr. BEGG. Yes; in the War Risk Bureau?

Mr. MACFARLANE. Fourteen thousand.

Mr. BEGG. I am talking about the whole department. So far as your knowledge goes, everybody is busy up there, are they?

Mr. MACFARLANE. I would not say everybody.

Mr. BEGG. Practically everybody? In other words, they have not more people, appreciably more, in the department than is required?

Mr. MACFARLANE. I should say no; but keep in mind this: That a considerable amount of work is being done by hand and typewriter and gradually that thing is being changed to mechanical devices and just as soon as that is done and certain work tapers off these people go out.

Mr. BEGG. How many people were in the Army?

Mr. MACFARLANE. Four and a half million men.

Mr. BEGG. Then you would not have had more than four and a half million policies under any circumstances?

Mr. MACFARLANE. That is about the number.

Mr. BEGG. And 75 per cent of them have dropped their policies leaving a million policies?

Mr. MACFARLANE. Yes, sir.

Mr. BEGG. And it takes 14,000 people to care for them?

Mr. MACFARLANE. No; there are other things in the bureau than this insurance. The insurance section has about 5,000 people, and the allotment and allowance division will gradually taper off. Then there is the compensation division.

Mr. BEGG. Let us take the insurance end of the bureau. You have how many people in the insurance?

Mr. MACFARLANE. About 5,000.

Mr. BEGG. And it takes about 5,000 people to take care of these approximately million policies.

Mr. MACFARLANE. And all the other things—straightening out the records.

Mr. BEGG. I understand. If you undertook to go out and personally see these 3,000,000 that have allowed their policies to lapse, how many people would it take to do that?

Mr. MACFARLANE. I did not mean to personally see them. There could be personal contact without that.

Mr. BEGG. Personal contact certainly means personal contact?

Mr. MACFARLANE. No; the point is if we have an office in San Francisco on a certain street and people come in there and we have three clerks, a man who comes in generally asks a question; it does not mean writing a letter which takes a clerk and stenographer here.

Mr. BEGG. Can the clerk in San Francisco write any more letters than the man in Washington?

Mr. MACFARLANE. He will answer questions.

Mr. BEGG. Can he answer more questions than the clerk in Washington?

Mr. MACFARLANE. It does not require a letter. A man comes in and asks a question, and it is finished.

Mr. BEGG. Then it is quicker by personal interviews than writing letters.

Mr. MACFARLANE. I should say yes. Take the post-office scheme: If we had these men pay their premiums through the post office and rural carriers they would get their receipts right away; all the receipt business here would be stopped.

Mr. BEGG. Can you give me an estimate of how many additional employees it would take in the insurance to make an effort to reinstate these 3,000,000 men?

Mr. MACFARLANE. Without that post-office scheme; without any advertising?

Mr. BEGG. I do not care how you do it. But if you are going to do it according to the way you suggest by branch offices and personal contact?

Mr. MACFARLANE. It would require less people in the office at Washington.

Mr. BEGG. That is not what I asked. How many additional people on the insurance pay roll? How much additional overhead to the Government, to the taxpayers? Certainly the same 5,000 people could not do it if they are busy now.

Mr. MACFARLANE. The work might be redistributed.

Mr. BEGG. In what way?

Mr. MACFARLANE. If they had branch offices, the post office, and advertised the men would get their information, instead of the clerks going through the files here to find somebody who lapsed last July and had been paying up to that time and has not paid anything since, and writing him a letter that he has forgotten. Any man who has had insurance knows they will forget. That would be continued in the field. That clerk here would be dispensed with.

Mr. BEGG. There would be somebody in the field doing it?

Mr. MACFARLANE. But they would be covering the same situation for a great many more people. When the lapses were stopped and the thing got down to a stable basis it would be almost automatic.

Mr. BEGG. Can you give us any estimate at all?

Mr. MACFARLANE. No, sir.

Mr. BEGG. You are not willing to say you could do it with the same 5,000 people on the pay roll now?

Mr. MACFARLANE. I would; yes.

Mr. BEGG. When a man drops his insurance now and lets the premiums lapse, do you notify him?

Mr. MACFARLANE. We might in some cases and may not in the bulk of them. We have not been able to.

Mr. BEGG. Why have you not been able to?

Mr. MACFARLANE. Just the flood of other work. The bulk of these lapses that have occurred is men who have never paid their premiums after discharge.

Mr. BEGG. You feel, as a representative of this bureau, that it would be good business for the Government to go out and really sell this insurance to-day?

Mr. MACFARLANE. I feel it would be good business for the Government once and for all to make sure that every man knew his rights. If he does not want to take care of them, that is another matter.

Mr. BEGG. Do you not believe that every man—and when I say every man that does not mean the exception—knew his rights?

Mr. MACFARLANE. Absolutely not.

Mr. BEGG. In what way does he not know his rights?

Mr. MACFARLANE. He does not know anything about this war-risk insurance; half of them mix it up with compensation.

Mr. BEGG. Half of the American soldiers did not know there was such a thing as war risk?

Mr. MACFARLANE. Not half, but a great many of them; not only soldiers, but a great many other people did not know.

Mr. BEGG. Other people are not interested, only as to what it costs them in taxes.

Mr. MACFARLANE. That is not so. I think you will find a great many people have much confusion on the provisions of the war-risk insurance act; what can be done and what can not be done.

Mr. BEGG. Referring back to a statement you made a moment ago, that the reason you do not notify these men of their insurance policies lapsing it because of the flood of other work; what other work do you mean?

Mr. MACFARLANE. Take the ordinary clerical methods of receiving their monthly premiums from the men who were paying premiums. These men were discharged. We are supposed to go back and find the premium card notice, whether his premium is due on October 1, 1919, or whatever the date is. He has probably changed his address and that is not sent in from the Army, and in the meantime he has sent in the premium, and we are traveling around over the office trying to find its record. We do not know about the boy being discharged. The boy, John Smith, we will say, writes in and says, "I want to pay my premium." He will give an address, "330 Fourth Avenue, Brooklyn." We have got to identify that John Smith who had probably been transferred six times in the Army with the John Smith we have got in our files. We get checks with nothing on them at all.

Mr. BEGG. Do you not have identification numbers?

Mr. MACFARLANE. No; the unfortunate thing is that when the war started it was a year before the Army started the serial numbering. We have a million applications with no serial number on them.

Mr. BEGG. Then I would infer from your statement that you have not enough employees in the insurance department.

Mr. MACFARLANE. I would say we have, because we are putting them on a mechanical basis. We probably have the biggest addressograph operation in the country at the present time. These things will go out automatically. All these typewriting machines will be done away with.

Mr. BEGG. How many records or notices do you expect each of your employees to get out daily?

Mr. MACFARLANE. All the notices will go out by the addressograph.

Mr. BEGG. One person will send out how many of these?

Mr. MACFARLANE. One clerk will send 25,000 or 30,000.

Mr. BEGG. Forty days would get out a million notices.

Mr. MACFARLANE. With one machine.

Mr. BEGG. Forty machines in one day would get out a million notices.

Mr. MACFARLANE. Yes.

(Thereupon, at 12 o'clock noon the committee adjourned, to meet again at 10.30 o'clock a. m., Wednesday, October 29, 1919).

COMMITTEE ON EXPENDITURES IN
THE TREASURY DEPARTMENT,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Friday, October 31, 1919.

Pursuant to adjournment of executive session Wednesday, October 29, the committee met at 10.45 o'clock a. m., Hon. Porter H. Dale (chairman) presiding.

The CHAIRMAN. The committee will come to order.

Mr. ANDREWS. On the 3d of June a letter was addressed to the Secretary of the Treasury, asking for a financial statement showing the various appropriations set apart for the Bureau of War Risk Insurance and amount of money charged upon the books of the department against the bureau in the various headings from the beginning of the organization under the act of September 2, 1914, down to date. The Secretary answered the letter with an abstract of those appropriations covering a period from September 2, 1914, to June 15, 1919. I ask that the letter of the Secretary with the financial abstract giving the titles of these appropriations and amounts handled be submitted and made a part of our records for the information of the committee.

The CHAIRMAN. What is the will of the committee on this?

Mr. ANDREWS. We are spending fully double the time that we need spend by approaching them from incidental points of discussion, and that is my purpose in asking that these financial statements be put in the front of the record that the further discussion may radiate from it. We may ask a man in the War Department for testimony on a certain point, and the Navy Department, bureaus of the Treasury and elsewhere, and if it were all centering upon this financial statement from the Secretary of the Treasury and the financial statement from the director of the bureau, we would have a definite point from which to take our bearings in every meeting. If we go on with in-

cidental matters aiming to hit these by and by, we are liable to spend considerable time in a practically useless work. That is my purpose in asking that this matter be put into the record now.

This is a committee on expenditures. That is the center. If we begin at the corner stone to survey our lines can be run with certainty. If we begin anywhere and try to reach the corner stone our survey will not be worth much.

The CHAIRMAN. The only way that I can get at these matters from my method of doing business is to prepare myself from time to time to reach certain specific things in different meetings, and Mr. Andrews's suggestion seems to be that we begin this whole investigation on a different line from the way I have started.

Mr. ANDREWS. I am simply asking that this be inserted in the record. I am not seeking to interfere with any program you have arranged in the hearing.

The CHAIRMAN. I think if there is no objection that we had better have this matter printed that Mr. Andrews has spoken of. I do not want to appear to be overbearing.

Appropriations for the Bureau of War Risk Insurance and allotments thereto from "National Security and Defense," Sept. 2, 1914, to June 15, 1919, inclusive.

Title of appropriation.	Date of act making appropriation.	Amount.	Total.
Salaries and expenses, Bureau of War Risk Insurance, 1918.....	Sept. 2, 1914	\$100,000.00	
	June 12, 1917	150,000.00	
	Oct. 6, 1917	100,000.00	
	Mar. 28, 1918	1,387,800.00	\$1,887,800.00
Salaries and expenses, Bureau of War Risk Insurance, 1919.....	Nov. 4, 1918		100,000.00
Salaries and expenses, Bureau of War Risk Insurance, 1919.....	July 3, 1918	3,301,000.00	
	Nov. 4, 1918	7,380,000.00	
	June 5, 1919	2,429,500.00	13,600,500.00
Salaries and expenses, Bureau of War Risk Insurance, 1920.....	Mar. 1, 1919		10,980,630.00
Losses on war-risk insurance of American vessels, their cargoes, etc.....	Sept. 2, 1914	5,000,000.00	
	June 12, 1917	45,000,000.00	50,000,000.00
Receipts from premiums on vessel insurance, credited to this appropriation by law.....			52,805,617.82
Refund of premiums on war-risk insurance of American vessels, their cargoes, etc.....	Mar. 4, 1915		1,435.50
	Oct. 6, 1917	141,000,000.00	
	Nov. 4, 1918	70,000,000.00	
	June 5, 1919	39,615,000.00	250,615,000.00
Military and naval compensation.....	Oct. 6, 1917		12,150,000.00
Military and naval insurance.....	do.		23,000,000.00
Premiums credited to this appropriation by repayment, under the law.....	do.		115,245,731.98
Military and naval pay, deposit fund.....	Oct. 6, 1917		
Army allotments (transferred from pay of the Army):			
Fiscal year 1918.....	do.	60,000,000.00	
Fiscal year 1919.....	do.	209,000,000.00	269,000,000.00
Navy allotments (transferred from pay of the Navy):			
Fiscal year 1918.....	do.	8,000,000.00	
Fiscal year 1919.....	do.	29,000,000.00	37,000,000.00
Marine Corps allotments (transferred from pay of the Marine Corps):			
Fiscal year 1918.....	do.	700,000.00	
Fiscal year 1919.....	do.	2,125,000.00	2,825,000.00

Appropriations for the Bureau of War Risk Insurance, etc.—Continued.

Title of appropriation.	Date of act making appropriation.	Amount.	Total.
Coast Guard allotments (transferred from Coast Guard):			
Fiscal year 1918.....	Oct. 6, 1917	\$130,000.00	
Fiscal year 1919.....		650,000.00	\$1,080,000.00
Allotments by the President from appropriation "National security and defense":			
National security and defense, 1919.....	Apr. 17, 1917		1,400,000.00
(Includes \$22,000 for toilet building, National Museum, for this bureau, expended by the Supervising Architect of the Treasury.)	July 1, 1918		3,200,000.00
Total appropriations, transfers of appropriations, and allotments from national security and defense, Sept. 2, 1914, to June 15, 1919, inclusive.....			\$44,940,715.40

The CHAIRMAN. I was about to suggest before this came up that Mr. Macfarlane was on the stand and Mr. Begg was in the midst of his examination. Is it the opinion of the committee that we had better go on with Mr. Macfarlane or have Col. Cholmeley-Jones take the stand, and let Mr. Macfarlane's examination go on when Mr. Begg can be here?

Mr. MOORE. Whatever you say to do, Mr. Chairman.

Mr. GARLAND. It would be more satisfactory to Mr. Begg.

Mr. MOORE. I make this suggestion, that we conclude with this witness with the understanding that he may be recalled for any further questioning by Mr. Begg, if Mr. Begg should desire to interrogate him further.

The CHAIRMAN. All right. If there is no objection to the suggestion made by Mr. Moore, Mr. Macfarlane will take the stand.

Mr. MACFARLANE. Yes, sir.

STATEMENT OF MR. WILLIAM MACFARLANE, ACTUARY, BUREAU OF WAR RISK INSURANCE, TREASURY DEPARTMENT—Resumed.

The CHAIRMAN. After insurance has lapsed the soldier who has carried it can be reinstated at any time during a certain period?

Mr. MACFARLANE. Yes, sir; within 18 months after discharge.

The CHAIRMAN. Does he have to pay when he is reinstated the premiums covering all that time?

Mr. MACFARLANE. This war-risk insurance is term insurance for the period of one month, just like fire insurance where a man pays a premium for the month's hazard. Bulletin No. 1, which was the first bulletin issued under the act of October 6, 1919, after it was passed, provided that the premiums were payable on the last day of each month, and were deducted from the soldier's pay, and the man was given 31 days after the last day of the month in which to pay the premium. Therefore, if a policy lapsed in January, 1919, and the man was to come in this month, we charge him for these 31 days' grace and we charge him for the month in which he reinstates and do not charge him for the intervening months, because he was never covered. In other words, if the man did not pay the premium on the 30th of December, 1918, he had all of January in which to pay it, and if he died any time in January we would pay

the claim less one month's premium, but after the first day of February that man was not insured at all; if he died on the 5th of February we did not pay any claim on him at all.

It is different from legal reserve insurance; it is like fire insurance. If a premium covers the risk of fire on a house for a month, if it is not paid, there is no risk to be covered after that.

The CHAIRMAN. What do you think the effect of that is going to be as to getting a good many poor risks?

Mr. MACFARLANE. I do not think it will have any effect in that respect.

The CHAIRMAN. Perhaps I had better explain that a little. What I had in mind was this: Would there be a good many who during the 18 months will have discovered that they are not good risks and get reinstated because of that?

Mr. MACFARLANE. When he reinstates under these conditions he has to sign a statement that he is in good health and has to be in good health and to so state. In other words, he has to sign a statement he is in good health at the time of discharge. Suppose a man has signed this statement and it turns out that he develops tuberculosis the next month after signing the statement. We could go back and tell the beneficiary that that boy was not in good health.

The CHAIRMAN. I mean when he signed the statement that he was in good health.

Mr. MACFARLANE. If he assumed he was in good health we would be under no greater hazard than the ordinary life insurance. They allow a man to sign a self-health certificate and find that the mortality of the men who signed these certificates within a certain period is better than those physically examined.

The CHAIRMAN. There is no physical examination?

Mr. MACFARLANE. No. A man has got to be in good health, and so states.

Mr. ANDREWS. What is the practice of the War Department as to discharging a man? Do they have the record of his physical condition at the time of his discharge?

Mr. MACFARLANE. Yes; they have. Every man is examined before discharge.

Mr. ANDREWS. I want that point in the record. It might have an important bearing on this, at least for the period of the war.

Mr. GARLAND. Would it be possible for you to refuse to pay the insurance from the reason that he was really found to have been, after he had paid you, in bad health at the time? Would it be possible for you to refuse under those circumstances?

Mr. MACFARLANE. I think if a man was discharged from the Army physically fit and developed some disease and signed a statement that he was fit and in good health at the time of his discharge, when he knew he was not, and died within a few months after that, and we could prove that, I think we would be perfectly justified.

Mr. GARLAND. That is not the practice in insurance organizations, as the courts hold that he should receive his money.

Mr. MACFARLANE. On a settlement?

Mr. GARLAND. Yes, sir.

Mr. MACFARLANE. The statement must be made in good faith.

Mr. GARLAND. If it goes before a jury he will certainly win on it. The jury always decides in favor of the claimant.

Mr. ANDREWS. Provided it is against the Government or a railroad company.

Mr. GARLAND. Or an insurance company. I have seen many cases of that kind. You say that he might lapse and then get in again by paying the usual premium at any time.

Mr. MACFARLANE. In 18 months after discharge.

Mr. GARLAND. But after that 18 months, suppose he has kept up his insurance for 18 months and lapsed again.

Mr. MACFARLANE. He may be reinstated any time unless the policy has been lapsed for more than a year.

Mr. GARLAND. On the same basis?

Mr. MACFARLANE. Yes, sir.

Mr. ANDREWS. Does that right for reinstatement within a period of 18 months exist under the original act?

Mr. MACFARLANE. No. The act is silent as to reinstatements. It does not say anything about them.

Mr. ANDREWS. In what act does it appear?

Mr. MACFARLANE. It is a general provision that the Secretary may do certain things under regulations contained throughout the whole act.

Mr. ANDREWS. Then this rule for the granting of the 18 months is a regulation made by the Treasury. What is the provision of law upon which that regulation is based?

Mr. MACFARLANE. The general provision of the law that the Secretary of the Treasury shall publish the provisions of the contract.

Mr. ANDREWS. But the contract must harmonize with the terms of the law. What I want is the wording of the law upon which that regulation is based.

Mr. MACFARLANE. There is nothing in the law mentioning reinstatements.

Mr. ANDREWS. If there is not anything in the law in relation to that, how could it become a privilege by regulation?

Mr. MACFARLANE. The act authorized the issuance of a certain type of insurance and provided that the Secretary shall do certain things. This is one of the things he shall do. He has got to provide for lapses and he has to provide for reinstatements, the same as he has to provide how the premiums shall be calculated.

Mr. MOORE. Are you not a little inaccurate, that it provides for certain things? Do you not mean that the law provides that the Secretary of the Treasury shall determine and promulgate the regulations?

Mr. MACFARLANE. Yes, sir.

Mr. MOORE. And that this particular rule that you are referring to is one of the regulations and a reasonable regulation to administer the law. That is what you mean?

Mr. MACFARLANE. Yes, sir.

Mr. MOORE. Every insurance company—or at least, I take it, most life insurance companies—have regulations with reference to reinstatements?

Mr. MACFARLANE. Every one.

Mr. MOORE. This is a regulation touching reinstatements.

Mr. MACFARLANE. Absolutely.

Mr. GARLAND. They include this regulation in their contract?

Mr. MOORE. I think they are included with the contract.

Mr. MACFARLANE. The contract provides for reinstatements and says that the policy may be reinstated within a certain period upon proof of insurability, subject to taking up the premiums at 5 per cent interest.

Mr. MOORE. Sometimes the contract is written specifically in the charter and by-laws and regulations of the company.

Mr. MACFARLANE. The laws of most States provide that the policy shall have certain standard provisions in it, and reinstatement is one of the standard provisions.

Mr. GARLAND (acting chairman). We had a question up with Gen. Lord the other day on a specific case.

Mr. MACFARLANE. Mr. Begg asked a question, if there is no trace of an application and no deductions made on a pay roll, would we accept a letter from the boy to his mother? I think I answered that as a general thing it became a question of evidence. That, I think, is a general answer. If there is any evidence that he did take out insurance we are going to pay the claim and dig until we get the evidence.

Mr. GARLAND. Gen. Lord said he understood that the claim then under discussion had been turned down.

Mr. MACFARLANE. I have no question but probably it was turned down in the regular routine. Many things are turned down at first blush because they did not reach the final head.

Mr. GARLAND. You think eventually they would be paid?

Mr. MACFARLANE. Yes. In every case on file in which there are disallowances we are going over and honeycombing the thing and looking at every case again, as we are not going to stand on what the examiner or reviewer thinks of the thing. We are going to get down to the final analysis.

Mr. GARLAND. It appears from the testimony of Gen. Lord that there were quite a lot of cases in which the records had been lost over in France, and it was impossible to trace them. Of course, he did not know how many, but there were cases of that kind.

Mr. MACFARLANE. I think we have very few. There are cases, of course, due to influenza, when the boys died before they had an opportunity to apply for the insurance. We are not in position to do anything for them.

Mr. GARLAND. This happened in action that you speak of.

Mr. MACFARLANE. I know of one case where we could not find any record of the application in any way, and then by digging in The Adjutant General's files we found the original copy, the duplicate, and the triplicate, which had been kept by the Army and never sent to the bureau at all. It was only by going through thousands of papers in The Adjutant General's office that we discovered that application.

Mr. GARLAND. In cases where they withheld the pay necessarily, because they did not have the records, there is no doubt that the soldier would get very much discouraged and probably drop any insurance that he might have made application for because of the lapse of time before he did receive his money. In a case of that kind can he, after having received his money within these 18 months you indicate that he had at some time applied for insurance but had not paid anything

owing to the fact that he did not have his pay, receive it, and what proof would be necessary there. Supposing the record was lost, as a great many of them were lost. I am speaking more about the summer of 1918 in Chateau-Thierry and Argonne Forest, where they were several months in the trenches.

Mr. MACFARLANE. There is almost bound to be some record somewhere of some pay roll. We would go through every pay roll in which a deduction could possibly be made or dig up his service record.

Mr. GARLAND. What did they do in instances where they could not find the body of a boy who was killed about paying the beneficiaries?

Mr. MACFARLANE. As I understand, the Army has cleaned up the list of missing men. There are two missing men in the whole United States Army; all are accounted for.

Mr. GARLAND. Of course, they were missing.

Mr. MACFARLANE. Missing at the time, but the missing list has been covered.

Mr. GARLAND. The recovery of the bodies was impossible in a great many instances from what I know over there.

Mr. MACFARLANE. If The Adjutant General says a man is dead, he is dead for our purposes.

Mr. GARLAND. That is true.

Mr. ANDREWS. The one point in that whole line of inquiry resolves itself into this: The bureau is authorized to allow claims when competent evidence is produced of record upon which to make allowance. Otherwise it has no authority to act.

Mr. GARLAND. That is right.

Mr. ANDREWS. Furthermore, while the bureau, I assume, would do everything in its power to gather up such evidence, it is not the legal duty of the bureau to put itself in position to do the work, but other branches of the Government should produce that evidence.

Mr. MACFARLANE. Theoretically, no.

Mr. ANDREWS. Legally, no.

Mr. MACFARLANE. Of course, we go out of our way.

Mr. ANDREWS. You invite it, to be sure. But what I mean to say is that the burden of responsibility is upon somebody else to do their full duty under the law to place the evidence before you.

Mr. MACFARLANE. That is right. Our responsibility starts when we receive the application. If we have never received it we should not have any responsibility.

Mr. ANDREWS. You are without legal authority to act in the absence of any legal evidence before you from the claimant?

Mr. MACFARLANE. It was just like the case of the Great Lakes Naval Station. They sent a patent box full of applications for allotments and allowances, and that box got sidetracked somewhere down here in the express office in Washington and was not dug up until they started to look for whisky down there. This box turned up six months afterwards full of applications.

Mr. ANDREWS. Take one of the cases we had the other day. Equities may be clearly disclosed in this miscellaneous correspondence and information that would come from the letters of the soldier and conversation with his comrades, but that is not in the form of record evidence, which the bureau would be called upon to produce as the basis of its action in the payment of money. If the equities

were clear, we might recognize them here under the circumstances as perfectly clear, but the law has not been complied with to the extent of authorizing you to act, and you do exactly what the Commissioner of Pensions does—you disallow—and that would be a case for a private bill in Congress. That is where the Committee on Invalid Pensions and the Committee on Pensions come into existence. That is their province. They are created for that purpose. In other words, where the equities are clear that the Government is liable and that the individual is entitled, as a matter of equity and right, but the law has not been complied with to such an extent that you can make a determination and have a record that will stand the test, there is ground for a private bill. I think that some of these cases might take up considerable time, which we would spend here in discussion rather than on the basis of the necessity that the bureau has to make an allowance. Right there I see by and by an opening for certain work on behalf of these committees—Invalid Pensions and the Committee on Pensions—in taking up cases of a similar character in connection with the war and their passing upon that with a private bill. I think that ultimately we will be able to do that with some of these cases, where the evidence can be reduced into proper form.

Mr. MACFARLANE. Probably so.

Mr. GARLAND. That would be only after the War Risk Insurance Department had given it up entirely.

Mr. ANDREWS. In other words, after they had made a disallowance.

Mr. GARLAND. Yes.

(Thereupon, at 11.45 o'clock a. m., the committee adjourned to meet again at the call of the chairman.)

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END OF
TITLE